

*1999 Annual Report*

*Value Investing In Small Companies  
For More Than 25 Years*

THE  
ROYCE  
FUNDS

ROYCE PREMIER FUND

ROYCE MICRO-CAP FUND

PENNSYLVANIA MUTUAL FUND

ROYCE SELECT FUND

ROYCE TRUST & GIFTSHARES FUND

ROYCE TOTAL RETURN FUND

ROYCE LOW-PRICED STOCK FUND

ROYCE OPPORTUNITY FUND

## TWO DISTINCT MARKETS

For more than 25 years, Royce & Associates has utilized a disciplined value approach to invest in small-cap companies. We believe that the small-cap universe is comprised of two distinct markets, small- and micro-cap, and that each requires a distinct investment strategy.

### MICRO-CAP

The micro-cap segment (companies with market caps less than \$300 million) provides many choices (more than 6,100 companies), yet faces significant trading difficulties, including limited trading volumes and high volatility. Therefore, we broadly diversify most of the Funds' portfolios investing in this segment by holding relatively smaller positions in most securities.

### SMALL-CAP

The upper tier of the small-cap universe (companies with market caps between \$300 million and \$1.5 billion) is more efficient, offering greater trading volume and narrower bid/ask spreads. Therefore, we use a more concentrated approach in this tier, holding larger positions in a relatively limited number of securities.

	PORTFOLIO APPROACH	
	Concentrated	Broadly Diversified
Small-Cap Companies	Royce Premier Fund	
Small- and Micro-Cap Companies	Royce Trust & GiftShares Fund Royce Select Fund	Pennsylvania Mutual Fund Royce Total Return Fund Royce Low-Priced Stock Fund Royce Opportunity Fund
Micro-Cap Companies		Royce Micro-Cap Fund

### CONCENTRATED FUNDS

**Royce Premier Fund** – a portfolio whose top 35 holdings, selected almost exclusively from the upper tier of small-cap, represent approximately 80% of the portfolio's equities.

**Royce Trust & GiftShares Fund** – a small- and micro-cap portfolio for gifting and estate-planning that allows a donor to combine the advantages of a trust with the benefits of a mutual fund.

**Royce Select Fund** – a small- and micro-cap portfolio for qualified investors that incorporates an all-inclusive performance management fee.

### BROADLY DIVERSIFIED FUNDS

**Royce Micro-Cap Fund** – a portfolio that selects companies with market capitalizations below \$300 million that meet its pricing and valuation parameters.

**Pennsylvania Mutual Fund** – our flagship fund managed by Chuck Royce since 1973 that invests in small- and micro-cap companies.

**Royce Total Return Fund** – a small- and micro-cap portfolio that invests in dividend-paying companies.

**Royce Low-Priced Stock Fund** – a portfolio that invests primarily in small- and micro-cap companies trading at less than \$15 per share at the time of purchase.

**Royce Opportunity Fund** – a small- and micro-cap portfolio incorporating an opportunistic value approach, managed by Buzz Zaino.

## ANNUAL REPORT REFERENCE GUIDE

*For more than 25 years, our approach has focused on evaluating a company's current worth — what we believe a business would sell for in a private transaction between rational and well-informed parties. This requires a thorough analysis of the financial and operating dynamics of a business, as though we were purchasing the entire company. The price that we pay for a security must be substantially lower than our appraisal of its current worth.*



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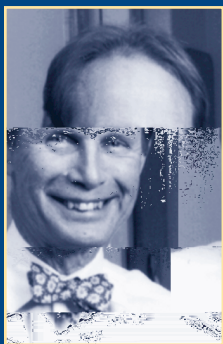
Postscript: This Just In Inside Back Cover

### AVERAGE ANNUAL TOTAL RETURNS Through December 31, 1999

FUND	1-YEAR	3-YEAR	5-YEAR	FROM INCEPTION	INCEPTION DATE
Royce Premier Fund	11.5%	12.1%	14.4%	13.7%	12/31/91
Royce Micro-Cap Fund*	13.7	11.1	13.5	15.3	12/31/91
Pennsylvania Mutual Fund*	6.0	11.3	13.1	15.6	6/30/73
Royce Select Fund	35.4	n/a	n/a	40.3	11/18/98
Royce Trust & GiftShares Fund*	41.8	28.8	n/a	27.9	12/27/95
Royce Total Return Fund	1.6	9.6	15.9	13.9	12/15/93
Royce Low-Priced Stock Fund	29.8	16.7	19.0	16.1	12/15/93
Royce Opportunity Fund	32.3	18.8	n/a	20.0	11/19/96
Russell 2000	21.3	13.1	16.7		

Pennsylvania Mutual Fund's 10-year average annual total return for the period ended 12/31/99 was 10.7%.

\*Investment Class



Charles M. Royce, *President*

Over the last 20 years, falling interest rates have been the engine driving the stock market's record-breaking run, but the ride may soon slow down. As of December 31, 1999, the annual coupon yield on the long-term Treasury bond had declined 57% from its 1981 high of 15.2% to the current 6.5%. Short-term yields declined 70% from an annual rate high of 17.7% in 1981 to 5.3% currently. In order to match the magnitude of this drop, long-term rates would have to decline below 2.8% and short-term rates would have to fall below 1.6% — a possible, but unlikely scenario. Without this powerful backdrop, we think that the longevity of high stock market returns is questionable.

## LETTER TO OUR SHAREHOLDERS



*Watching for Value at the Dot.Com Party*

### BETTER LATE THAN NEVER: SMALL-CAPS JOIN THE PARTY

It was only fitting that the stock market concluded the year with a fireworks display that would have made the pyrotechnists at the Eiffel Tower envious. The technology-laden Nasdaq Composite exploded with an 85.6% gain for 1999, the best single-year performance ever by a diversified domestic equity index. For an unprecedented fifth consecutive year, large-cap indices, the S&P 500 and Dow Jones Industrial Average, concluded 1999 with strong double-digit gains. Small-cap companies managed a fourth-quarter flurry of their own that enabled the Russell 2000 (+21.3%) to edge out the S&P 500 (+21.1%) in 1999 for the first time since 1993, news that risks being lost in the wake of the Nasdaq Composite's record-shattering year.

If all of this were not enough to convince you that the stock market succumbed to millennium madness, consider that, according to Lipper, Inc., the average technology fund rose 134.8% in 1999. Contributing to this unheard of ascent was a torrid IPO (initial public offering) market that produced first-day gains of 100% or more for 101 companies.

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If this were to continue, IPO would need to be relabeled “instant profit opportunity.” To put 1999 into perspective, over the prior 207 years, or since investors began gathering at Wall Street’s buttonwood tree in 1792, there had only been 42 IPOs with first-day gains of more than 100% (Source: *The Wall Street Journal*).

We can perhaps be indulged in a bit of hyperbole in saying that small-cap stocks, like the heroic warriors in *Braveheart*, refused to surrender to their large-cap counterparts. After five long years of underperformance, the Russell 2000 eked out its small edge versus the S&P 500 with better performance in the second and fourth quarters after a complete disconnect in the first quarter. Not on most investors’ radar screens is the fact that 1999’s calendar year results also reflected excellent small-cap performance from both the 10/8/98 Russell 2000 market trough (Russell 2000 +65.2% versus S&P 500 +55.6%) and the 1999 Russell 2000 low on 3/23/99 (Russell 2000 +33.1% versus S&P 500 +17.5%). Another little noticed, but compelling statistic is that, *for the first time ever*, the dividend yield of the Russell 2000 is greater than that of the S&P 500 and was so for all of 1999. Do we think that this is the start of something good for our asset class? “You betcha.”

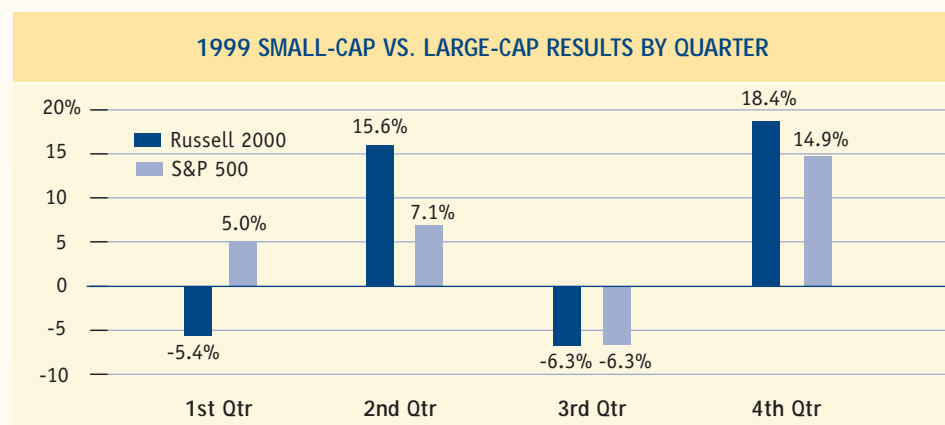
Growth handily trounced value in all capitalization classes. In 1999, the year was like the old country music song, in which growth investors got the goldmine and value investors got the shaft.

## NEVER SURRENDER

**T**echnology’s dominance extended across all capitalization categories. The sector now accounts for approximately 29% of the stocks in the S&P 500. In 1999, 66% of the S&P 500’s return was attributable to just 10 stocks, eight of which were technology issues. Approximately 93% of the Russell 2000’s gain for the year resulted from stocks in the technology sector, and it is now the largest sector in the Russell 2000, up from third at the beginning of 1999. In spite of these impressive statistics, technology’s impact was perhaps nowhere more evident than in the divergence between the growth and value investment styles. In all capitalization classes, growth stocks, typically those with high price/earnings and price/book ratios and high earnings growth rates, handily trounced value stocks, typically those with low P/E and P/B ratios and cyclical growth rates. In 1999, the year was like the old country music song, in which growth investors got the goldmine and value investors got the shaft.

We looked at historical Russell 2000, Russell 2000 Value and Russell 2000 Growth index full market cycle returns to see if growth stocks had generally outperformed in up markets and value stocks in down markets over the last two decades. A full market cycle incorporates at least one up and one down phase and requires a move of at least 15% from the previous peak or trough.

Small-cap value outperformed growth during five out of six down market periods. Surprisingly, value also outperformed growth in four out of six up market periods. So despite strong recent performance by growth stocks — on the verge of winning their first full-market cycle out of six full market cycle periods throughout the small-cap index's history (since 1979) — we believe that the long-term case for value remains compelling.



The divergence between growth and value in the small-cap sector was especially prominent. There was also substantial disparity within small-cap value. While performance spreads were consistent between growth and value in the Russell and the Wilshire small-cap style indices — growth outdistanced value — 1999 returns in the value category were markedly different for each index. The Russell 2000 Value index lost 1.5% in 1999, yet the Wilshire Small-Cap Value index's return was even more miserable, down 15.6%. Since the Wilshire Small-Cap Value Index is made up of arguably higher-quality constituents than the Russell 2000 Value, as measured by lower debt-to-capital and higher return-on-assets and return-on-equity ratios, the travails suffered by small-cap value investors in 1999 are readily evident (Source: Prudential Securities).

Our most risk-averse portfolios (Pennsylvania Mutual Fund and Royce Total Return Fund) were underperformers, while our relatively more aggressive portfolios (Royce Select Fund, Royce Trust & GiftShares Fund, Royce Low-Priced Stock Fund and Royce Opportunity Fund) excelled in both an absolute and relative sense.

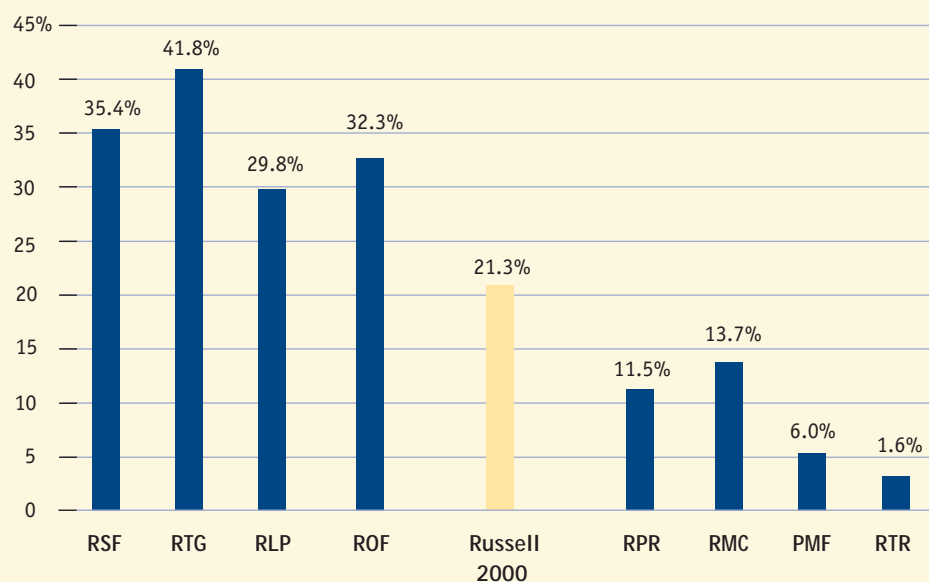
### EXPECT THE UNEXPECTED

1999 was as confounding and at times difficult a year as we have seen for our investment universe and our style, with some Royce portfolios turning in excellent performances while others languished. Our most risk-averse portfolios (Pennsylvania Mutual Fund and Royce Total Return Fund) were

underperformers, while our relatively more aggressive portfolios (Royce Select Fund, Royce Trust & GiftShares Fund, Royce Low-Priced Stock Fund and Royce Opportunity Fund) excelled in both an absolute and relative sense.

After performing atypically in 1999's first half (all Royce Fund portfolios underperformed the Russell 2000 during the first quarter downturn, and all but one portfolio outperformed the Russell 2000 during the dynamic second quarter), our Funds returned to their more historically normal performance patterns in the second half. During the difficult third quarter, in which the Russell 2000 and S&P 500 were each down 6.3%, all Royce Fund portfolios outperformed the indices. The Russell 2000 soared in the potent fourth quarter, up 18.4%, with only two Royce Fund portfolios (Royce Trust & GiftShares Fund and Royce Low-Priced Stock Fund) keeping pace.

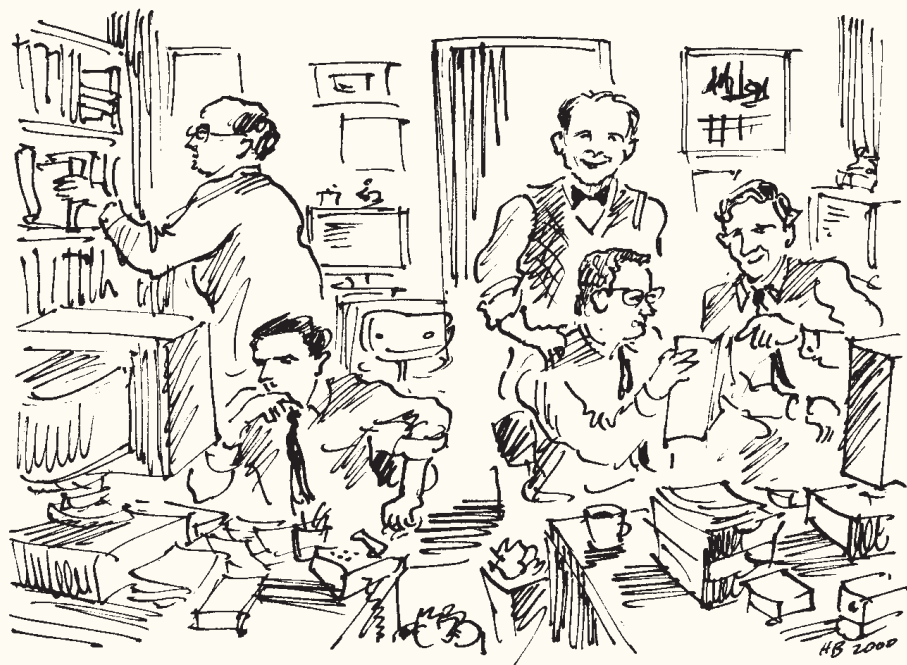
#### 1999 RESULTS FOR THE ROYCE FUNDS VS. RUSSELL 2000



Two of our concentrated portfolios (Royce Trust & GiftShares Fund and Royce Select Fund) and two of our broadly diversified portfolios (Royce Opportunity Fund and Royce Low-Priced Stock Fund) outperformed the Russell 2000 in 1999. However, the relative weighting of technology stocks seemed to be a primary factor in performance, as was the level of relative volatility. For a complete review and discussion of individual fund results and risk profiles, see pages 10 – 25.

It comes as no surprise that technology, representing an average of 15% of the index for the year, was the Russell 2000's best performing sector in 1999, surging 101%. Less well-known is the fact that the Utilities sector (7% of the index) was up more than 40%. Offsetting these strong performances was the poor return of the highest weighted sector in the index, Financial Services (22% of the index), which was down almost 6% for the year.

Among small-caps, performance was skewed across the P/E range in 1999. The best performance was turned in by the companies with no earnings, up more than 85%, while the quintile with the lowest P/E ratios (median P/E of 7.5x) had the worst performance, down more than 10%.



*Investors in a Speculators' Market*

### NEW MILLENNIUM CONJECTURE

Like most people, we have spent some time reflecting on what the future might bring. Perhaps it is an occupational hazard, but looking forward always involves some looking backward for us as well. Investors in general seem comfortable taking more risk in order to achieve higher returns. Within the small-cap universe in 1999, the market appeared to us to undervalue good financial characteristics and to overvalue hopes, dreams and potential earnings growth. As a result, many “higher-quality” small-cap stocks

are still waiting for their chance to shine. We have many portfolio companies that are very attractive to us from an earnings and balance sheet standpoint, yet their stocks performed worse in 1999 than most momentum-driven stocks that are highly leveraged and that have no earnings history. “Go figure.”



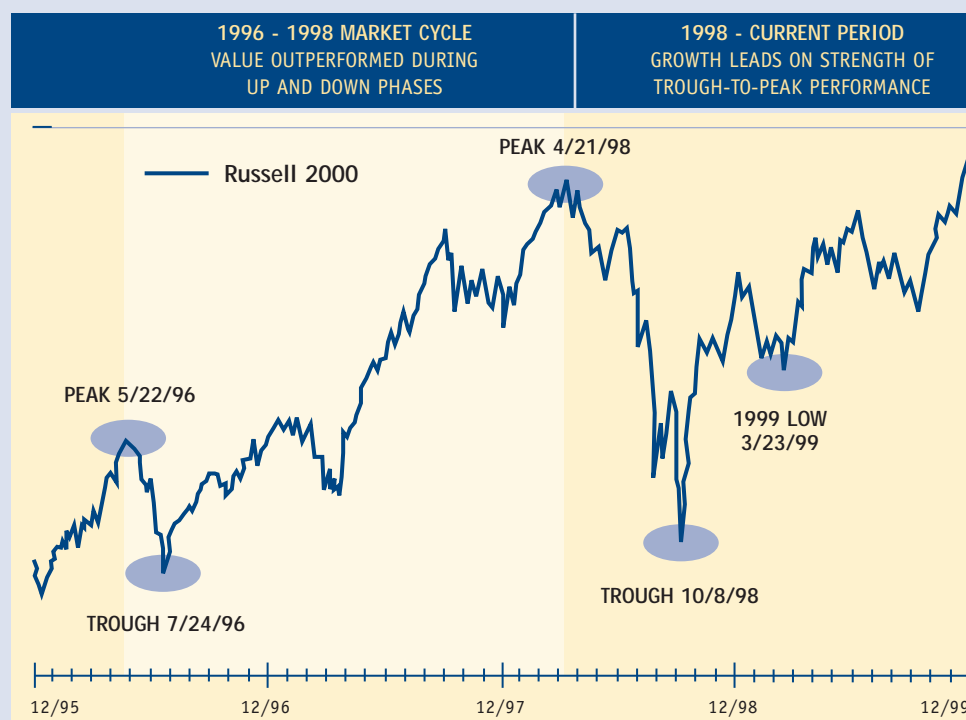
## RECENT MARKET CYCLE RESULTS

### ROYCE FUNDS VS. RUSSELL 2000

Performance measurement refers to the idea of comparing returns against a benchmark — exactly which benchmark and over what time periods are always the questions.

Although a number of style indices within the small-cap sector are now available, each incorporates different, in some cases substantially different, definitions of value. Since we select securities from the entire small-cap universe, not just the “value” portion of the sector, we believe that the broadly defined Russell 2000 is a better index with which to compare our investment results.

Traditional performance presentations revolve around fixed time periods (e.g., one-, three- and five-year returns), rather than around market cycles, even though this method may not reveal the complete picture. In contrast, we believe that peak-to-peak, or full-market-cycle, analyses capture performance more completely because they include both up and down phases.



	1996 PEAK TO 1998 PEAK 5/22/96 - 4/21/98	1998 PEAK TO CURRENT 4/21/98 - 12/31/99	1996 PEAK TO CURRENT 5/22/96 - 12/31/99
Russell 2000	38.5%	5.0%	45.4%
Russell 2000 Value	60.2	-16.6	33.7
Russell 2000 Growth	19.3	26.2	50.6
<b>CONCENTRATED FUNDS</b>			
Royce Premier	43.1	6.2	51.9
Royce Trust & GiftShares	61.7	44.7	133.9
<b>BROADLY DIVERSIFIED FUNDS</b>			
Royce Micro-Cap	43.1	-2.5	39.5
Pennsylvania Mutual	46.7	-1.4	44.7
Royce Total Return	51.1	-2.6	47.2
Royce Low-Priced Stock	36.4	13.0	54.1
Royce Opportunity	n/a	21.8	n/a

All Royce Funds either approximated or beat the Russell 2000 index during the last full market cycle, attributable primarily to out-performance during the cycle's decline.

Four out of seven Royce Funds are outperforming the index in the 1998 peak-to-current period. Once again, outperformance relates primarily to better down market results.

Five out of six Royce Funds are either approximating or outperforming the Russell 2000 from the 1996 peak.

## PERFORMANCE HIGHLIGHTS

During a period in which growth has dominated, The Royce Funds have generally held their own relative to small-cap.		1998 SMALL-CAP PEAK 4/21/98-12/31/99	1999 SMALL-CAP LOW 3/23/99-12/31/99
RUSSELL 2000		5.0%	33.1%
RUSSELL 2000 VALUE		-16.6	11.5
<b>ROYCE PREMIER FUND</b> our concentrated portfolio that invests primarily in companies with market caps between \$300 million and \$1.5 billion, outperformed the Russell 2000 from the April 1998 small-cap peak. Among the least volatile small-cap funds as measured by standard deviation, beta, and Morningstar risk ratio, <b>the Fund finished in the top decile in each of these categories</b> out of the 289 funds with a three-year history tracked by Morningstar for the period ended December 31, 1999. The Fund's average annual total return since inception (12/31/91) was <b>13.7%</b> .		6.2	30.8
<b>ROYCE MICRO-CAP FUND*</b> our broadly diversified portfolio that invests in companies with market caps less than \$300 million, outperformed the Russell 2000 from the March 1999 small-cap market low. The Fund was also ahead of its benchmark for the since inception (12/31/91) period ended December 31, 1999. The Fund's average annual total return since inception was <b>15.3%</b> .		-2.5	36.9
<b>PENNSYLVANIA MUTUAL FUND*</b> our flagship Fund that invests in both small- and micro-cap companies, outperformed its benchmark for the 20-year period ended December 31, 1999. The Fund was among the least volatile small-cap funds as measured by standard deviation, beta, and Morningstar risk ratio, and <b>finished in the top decile in each of these categories</b> out of the 289 funds with a three-year history tracked by Morningstar for the period ended December 31, 1999. The Fund's 25-year and since inception (6/30/73) average annual total returns were <b>19.7%</b> and <b>15.6%</b> , respectively.		-1.4	21.9
<b>ROYCE SELECT FUND</b> our concentrated performance-fee fund for qualified clients, outperformed the Russell 2000 from the March 1999 small-cap market low. The Fund also outperformed its benchmark for the one-year and since inception (11/18/98) periods ended December 31, 1999. The Fund's average annual total return since inception was <b>40.3%</b> .		n/a	42.6
<b>ROYCE TRUST &amp; GIFTSHARES FUND*</b> our concentrated gifting and estate-planning portfolio, outperformed the Russell 2000 for the quarter and from both the April 1998 small-cap market peak and the March 1999 small-cap low. The Fund also outperformed the Russell 2000 for the one-year, three-year and since inception (12/27/95) periods ended December 31, 1999. The Fund's average annual total return since inception was <b>27.9%</b> .		44.8	65.2
<b>ROYCE TOTAL RETURN FUND</b> our diversified small- and micro-cap portfolio that invests primarily in dividend-paying stocks, outperformed the Russell 2000 for the since inception (12/15/93) period ended December 31, 1999. Out of 289 small-cap funds with a three-year history tracked by Morningstar for the period ended December 31, 1999, <b>the Fund had the lowest standard deviation, the lowest beta and the second lowest Morningstar risk ratio.</b> Its average annual total return since inception was <b>14.0%</b> .		-2.6	12.9
<b>ROYCE LOW-PRICED STOCK FUND</b> <b>one of only two low-priced stock funds</b> , equaled the Russell 2000 for the fourth quarter and outperformed the index from both the April 1998 small-cap market peak and from the March 1999 small-cap low. The Fund, which invests primarily in companies trading for less than \$15 per share at the time of purchase, also beat the Russell 2000 for the one-, three-, five-year and since inception (12/15/93) periods ended December 31, 1999. The Fund's average annual total return since inception was <b>16.1%</b> .		13.0	46.9
<b>ROYCE OPPORTUNITY FUND</b> managed by Buzz Zaino since April 1998, the Fund's more opportunistic value approach enabled it to outperform the Russell 2000 from the April 1998 small-cap market peak and the March 1999 small-cap low. The Fund also provided higher returns than its benchmark for the one-year, three-year and since inception (11/19/96) periods. The Fund's average annual total return since inception was <b>20.0%</b> .		21.8	51.5

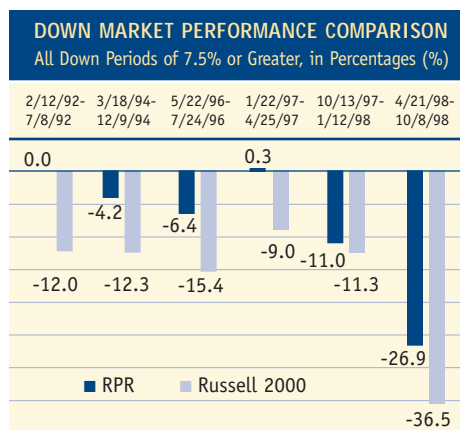
\*All performance and risk information reflect Investment Class results. Shares of the Funds' Consultant Class bear an annual distribution expense and are subject to a deferred sales charge, which are not borne by the Investment Class. See pages 10-25 for a complete discussion of performance returns.

AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	11.0%
Jul-Dec 1999*	4.2
1-Year	11.5
3-Year	12.1
5-Year	14.4
Since Inception (12/31/91)	13.7

\*Not annualized.

MORNINGSTAR VOLATILITY MEASURES*			
	RPR	Category Median	Best Decile Breakpoint
Standard Deviation	17.44	25.72	18.20
Mstar Risk Ratio	0.94	1.31	1.00
Beta	0.67	1.00	0.69

\* Three years ended 12/31/99. Category Median and Best Decile Breakpoint based on 289 small-cap objective funds (lowest expense class only) with at least three years of history.



CALENDAR YEAR TOTAL RETURNS	
Year	RPR
1999	11.5%
1998	6.7
1997	18.4
1996	18.1
1995	17.8
1994	3.3
1993	19.0
1992	15.8

## MANAGER'S DISCUSSION

**R**oyce Premier Fund (RPR) was no exception to the oddities that affected small-cap value investing in 1999. For the full year, RPR was up 11.5%, lagging its benchmark, the small-cap oriented Russell 2000, which was up 21.3%. RPR's average annual total return since inception (12/31/91) was 13.7%.

The Fund exemplified in many ways the topsy-turvy nature of the last year. RPR atypically lost ground against its benchmark in the first quarter's downturn and then atypically outperformed it during the subsequent second-quarter rally. The second half of this year saw more historically characteristic performance patterns — RPR outperformed the Russell 2000 in the third-quarter downturn and lagged in the fourth-quarter upswing. With these ups and downs, RPR's performance was virtually flat through the end of the third quarter, before taking off in the fourth quarter, reinforcing the need for a long-term investment outlook.

The Fund's use of concentration, in our view, neither hindered nor helped its 1999 performance. RPR's preference for small-cap companies with "higher quality" balance sheets trading at low valuations was out of step with a market that rewarded higher-risk, higher-valuation investments. However, we did have our share of success stories, reflected in the Fund's total net realized and unrealized gain on investments of \$58,817,696.

The Fund's holdings in the Technology sector made the greatest positive impact on its performance, followed by Health stocks at a distant second. This was not surprising, considering technology's dominance of the market as a whole last year. In RPR's portfolio, Technology's strong performance came without the benefit of a single Internet issue; in fact, the bulk of our technology holdings are not "cutting edge"

### GOOD IDEAS THAT WORKED 1999 Net Realized and Unrealized Gain

Comdisco	\$16,433,452
Avnet	7,662,786
Charming Shoppes	7,537,898
Chiron Corporation	7,426,821
Air Express International	7,154,657

**Comdisco** — This firm has leveraged its expertise in leasing computer equipment and technology into a profitable combination of leasing information technology services, Internet access and Internet venture capital opportunities.

**Charming Shoppes** — The stock of this women's fashion retailer, a long-term holding with solid (and, in our view, improving) business fundamentals, continues to benefit from the increasing attention of other investors.

companies. The increase in the portfolio's median market capitalization, from \$534 million at 12/31/98 to \$945 million at year end, was in part due to the addition of top positions in this sector, such as Comdisco and National Instruments. We also initiated new positions in two information technology service companies, CIBER and Keane, when the market's Y2K concerns brought their prices down.

Hurting the Fund's performance in 1999 were companies in the Consumer Products and Financial Intermediaries sectors. We took advantage of low prices in the latter sector throughout the year, particularly when insurance company stocks declined to what we believe were attractive levels. We added significantly to our position in Commerce Group and made new purchases in Medical Assurance and White Mountain Insurance Group.

In the Industrial Services sector, we increased our exposure during the year in the transportation and logistics industry, adding Circle International Group and buying additional shares of Air Express International (currently merging), as we were attracted by the low valuations of this under-followed industry. We initiated a position in Interim Services, a company that provides staffing services, because of its combination of low valuations and high balance sheet quality. New portfolio positions in the Natural Resources sector included Nabors Industries, an energy services company, and Devon Energy, an oil and gas exploration company. Companies in this industry drew our interest when prices in oil stocks fell dramatically in the first quarter.

Although valuations for the portfolio have risen as measured by weighted average P/E and P/B ratios, we still see plenty of return potential based on each company's underlying fundamentals.

## GOOD IDEAS AT THE TIME 1999 Net Realized and Unrealized Loss

Trenwick Group	\$7,312,663
New England Business Service	6,266,752
Unifi	5,440,913
Mutual Risk Management	5,253,421
Kaydon Corporation	5,171,867

they will survive, and perhaps thrive, when insurance stocks recover.

**New England Business Service** — Unfortunately, 1999 was as bad as 1998 was good for this business product marketer, with the decline in stock price exacerbated by a modestly missed third-quarter earnings report. Our continued optimism stems from the company's management strength and diverse client base, as well as what we think is a very favorable valuation.

**Trenwick Group** — This mid-size re-insurer was confronted with two difficulties — insurance stock prices dropped throughout the year and the stock price was further penalized by what we think was an important and positive acquisition. We remain confident that

## PORTFOLIO DIAGNOSTICS

Median Market Cap.	\$945 million
Weighted Average P/E Ratio	17.0x
Weighted Average P/B Ratio	2.1x
Weighted Average Yield	1.0%
Fund Net Assets	\$568 million
Turnover Rate	48%
Symbol	RYPRX

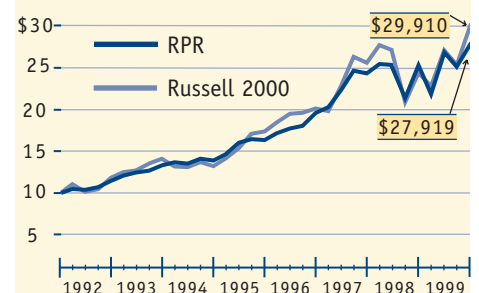
## TOP 10 POSITIONS % of Net Assets

Comdisco	3.7%
Interim Services	3.4
Avnet	3.4
Haemonetics	3.1
National Computer Systems	3.1
Gallagher (Arthur J.) & Co.	3.1
Florida Rock Industries	2.8
Air Express International	2.7
Lincoln Electric Holdings	2.6
Simpson Manufacturing	2.6

## PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Technology	24.2%
Industrial Services	14.8
Industrial Products	13.8
Financial Intermediaries	12.9
Financial Services	10.4
Natural Resources	8.0
Health	3.1
Consumer Products	2.1
Consumer Services	1.8
Cash & Cash Equivalents	8.9

## ROYCE PREMIER FUND vs. RUSSELL 2000 Value of \$10,000 Invested on 12/31/91



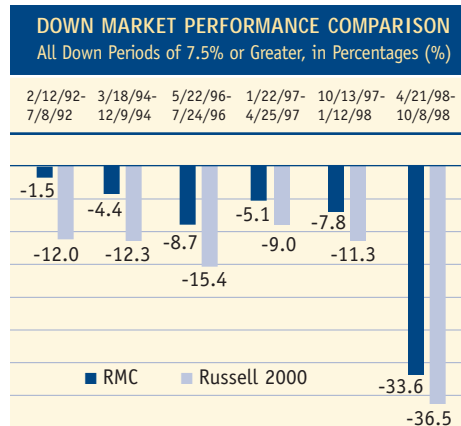
Includes reinvestment of distributions.

AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	13.3%
Jul-Dec 1999*	10.6
1-Year	13.7
3-Year	11.1
5-Year	13.5
Since Inception (12/31/91)	15.3

\*Not annualized.

MORNINGSTAR VOLATILITY MEASURES*			
	RMC	Category Median	Best Quartile Breakpoint
Standard Deviation	21.07	23.85	19.73
Mstar Risk Ratio	1.17	1.33	1.14
Beta	0.73	0.80	0.67

\* Three years ended 12/31/99. Category Median and Best Decile Breakpoint based on 24 micro-cap objective funds (lowest expense class only) with at least three years of history. (All small-cap objective funds with median market capitalizations below \$250 million.)



CALENDAR YEAR TOTAL RETURNS	
Year	RMC
1999	13.7%
1998	-3.3
1997	24.7
1996	15.5
1995	19.1
1994	3.6
1993	23.7
1992	29.4

## MANAGER'S DISCUSSION

If Julius Caesar had gotten his way and been allowed to begin the calendar year with the spring equinox, we would be quite pleased with **Royce Micro-Cap Fund's (RMC)** performance. After getting off to a slow start in the first quarter, it finished strongly in 1999. For the last nine months of the year (3/31/99 – 12/31/99), RMC was up 35.5% versus 28.2% for its benchmark, the small-cap oriented Russell 2000. Unfortunately, the difficult first quarter hindered its 1999 performance. For the full year, RMC was up 13.7% versus a gain of 21.3% for the Russell 2000. RMC's average annual total return since inception (12/31/91) was 15.3%.

After being virtually ignored from April '98 through April '99, micro-cap securities began to rebound in the second quarter, led by the technology sector. RMC followed suit, posting strong second-quarter results, holding its own in the third-quarter downdraft and performing solidly in the fourth quarter. In a year characterized by wildly divergent micro-cap stock performance, we are not unhappy with RMC's return, given its relatively low-risk profile. The micro-cap companies that we hold generally possess solid balance sheets and earnings records. Although we avoided Internet-related micro-cap companies, we still enjoyed a measure of success, shown in the Fund's net realized and unrealized gain on investments of \$12,264,066.

The Technology sector, which dominated every asset class in the market last year, was our best performer in 1999, with Financial Services a distant second. We enjoyed particular success in the semiconductor industry with companies such as Exar, Unitrode and Electroglas. In the Financial Services sector, we benefited from a strong performance from Duff & Phelps Credit Rating, a core holding. While

### GOOD IDEAS THAT WORKED 1999 Net Realized and Unrealized Gain

Exar	\$2,393,902
Electroglas	1,909,845
Kronos	1,880,707
Coherent	1,764,591
Performance Technologies	1,369,732

**Exar** — The management of this analog semiconductor manufacturer developed new telecommunications products that created a major turnaround in the company's prospects and caused the stock price to surge in the fourth quarter.

**Electroglas** — A semiconductor capital equipment manufacturer and a long-term holding, the stock was purchased at a low point in the business cycle for semiconductors, only to rise precipitously in the subsequent rebound of semiconductor stocks.

† All performance and risk information presented herein is for RMC's Investment Class. Shares of RMC's Consultant Class, which commenced operations on May 4, 1998, bear an annual distribution expense which is not borne by the Investment Class.

the Industrial Services and Industrial Products sectors had the greatest negative impact, with most positions showing losses. These sectors contain what we believe are solid companies, including Puerto Rican Cement, Woodhead Industries and Circle International Group.

There are several new names among the Fund's top ten holdings, such as Rainbow Technologies and Pioneer-Standard Electronics. We

**Ezenia!** — Formerly VideoServer, this supplier of video conferencing and network equipment was one of the many technology companies that suffered through the 1998 third-quarter downturn, but one of the few that failed to recover. We gave back most of

the gains we made in 1998, as the stock nosedived in 1999.

**HMT Technology** — Proof that 1999 was not a banner year for every technology company, this manufacturer of high-performance thin-film disks for use in hard disk drives has so far been unable to recover from excess supply and price pressure in the computer media storage business. We are holding on for now, but are uncertain about its future.

## PORTFOLIO DIAGNOSTICS

Median Market Cap.	\$175 million
Weighted Average P/E Ratio	14.1x
Weighted Average P/B Ratio	1.3x
Weighted Average Yield	0.7%
Fund Net Assets	\$113 million
Turnover Rate	24%
Symbol (Investment Class)	RYOTX
(Consultant Class)	RYMCX

## TOP 10 POSITIONS % of Net Assets

Kronos	3.3%
Rainbow Technologies	2.1
Richardson Electronics	2.1
Sevenson Environmental Services	2.0
Pioneer-Standard Electronics	1.9
Conso International	1.9
Carlisle Holdings	1.8
Lazare Kaplan International	1.8
Florida Rock Industries	1.7
Thor Industries	1.6

## PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Technology	32.2%
Industrial Services	15.1
Industrial Products	13.9
Consumer Products	10.7
Natural Resources	6.2
Health	5.0
Financial Intermediaries	2.5
Financial Services	2.1
Consumer Services	1.6
Miscellaneous	4.5
Cash & Cash Equivalents	6.2

## ROYCE MICRO-CAP FUND vs. RUSSELL 2000 Value of \$10,000 Invested on 12/31/91

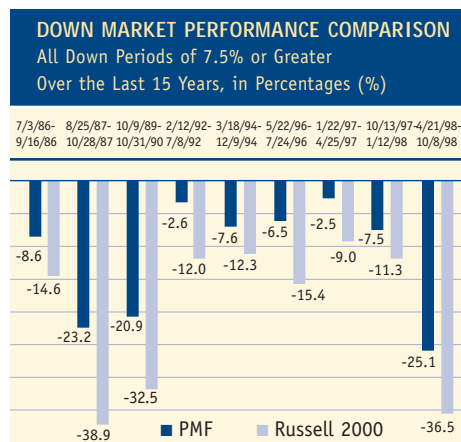
Includes reinvestment of distributions.

AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	5.8%
Jul-Dec 1999*	0.6
1-Year	6.0
3-Year	11.3
5-Year	13.1
10-Year	10.7
20-Year	14.1
25-Year	19.7
Since Inception (6/30/73)	15.6

\*Not annualized.

MORNINGSTAR VOLATILITY MEASURES*			
	PMF	Category Median	Best Decile Breakpoint
Standard Deviation	16.64	25.72	18.20
Mstar Risk Ratio	0.93	1.31	1.00
Beta	0.61	1.00	0.69

\* Three years ended 12/31/99. Category Median and Best Decile Breakpoint based on 289 small-cap objective funds (lowest expense class only) with at least three years of history.



CALENDAR YEAR TOTAL RETURNS			
Year	PMF	Year	PMF
1999	6.0%	1991	31.8%
1998	4.2	1990	-11.5
1997	25.0	1989	16.7
1996	12.8	1988	24.6
1995	18.7	1987	1.4
1994	-0.7	1986	11.2
1993	11.3	1985	26.8
1992	16.2		

## MANAGER'S DISCUSSION

**P**ennsylvania Mutual Fund (PMF), our flagship fund, had a relatively disappointing 1999, up 6.0% and lagging its benchmark, the small-cap oriented Russell 2000 (21.3%). The Fund's average annual total return for the 25 years ended December 31, 1999 was 19.7%.

For small-cap value in general, and PMF in particular, performance anomalies were common in 1999. After losing ground against its benchmark during the first quarter, the Fund outperformed the Russell 2000 during the more dynamic second quarter and in the third quarter downturn. With these ups and downs, PMF's performance was virtually flat through the end of the third quarter, and holding its own relative to its benchmark. During the explosive fourth quarter, however, the Fund failed to keep pace, gaining only 5.8% while the Russell 2000 raced ahead 18.4%.

We would like to think that the stock prices of the companies that we own would generally come to reflect their business fundamentals, over time. However, in 1999 our holdings received little attention from a market that was focused on momentum, and the portfolio's valuations, as measured by weighted average P/E and P/B ratios, actually declined from the end of 1998. While the attributes that we seek, namely strong balance sheets and strong records of earnings, did not consistently translate into high performance in 1999, we did have our share of success stories, shown in the panel below and in the Fund's total net realized and unrealized gain on investments of \$24,588,429.

Despite these anomalies, portfolio turnover was within the Fund's historical range, at 21% for the year. We increased our holdings in the Technology sector, which also saw the greatest positive impact on performance. We initiated several new

### GOOD IDEAS THAT WORKED 1999 Net Realized and Unrealized Gain

Exar	\$8,889,154
Unitrode Corporation	7,952,947
Avnet	3,942,731
The Topps Company	3,485,053
Gallagher (Arthur J.) & Co.	3,298,253

**Exar** — This manufacturer of integrated circuits for high-speed broadband communications developed new products that created a major turnaround in the company's prospects, leading the stock price to surge in the fourth quarter.

**Unitrode Corporation** — Small-cap stocks are often subject to an advantageous "urge to merge," and a takeover last summer by Texas Instruments sent the price of this analog semiconductor manufacturer well beyond our initial sell target.

† All performance and risk information presented herein is for PMF's Investment Class. Shares of PMF's Consultant Class, which commenced operations on June 18, 1997, bear an annual distribution expense which is not borne by the Investment Class.

positions in information technology service companies whose valuations became attractive to us in a moment of Y2K anxiety in the market, including CIBER, JDA Software Group and Keane. Other new technology companies included Arrow Electronics, the world's largest distributor of electronics components and computer products, whose stock price had been depressed since the Asian crisis, and Plantronics, a telecommunications equipment manufacturer and market leader in the rapidly growing headset industry.

The Natural Resources sector also enjoyed strong 1999 performance. We added to our position in Tidewater, an energy services company whose price fell dramatically earlier in the year owing to a first-quarter downturn that affected many energy stocks. We also took a new position in Input/Output, a manufacturer of seismic data instruments that we believe has excellent turnaround potential. In other sectors, we increased two of our larger positions — Arnold Industries, an attractively valued trucking company in an industry that received scant investment attention, and Penn Engineering & Manufacturing, a commercial fastener manufacturer that was selling at what we believe was an exceptionally low price. We sold our positions in Unitorde, The Topps Company, Eaton Vance and Applebee's International at substantial profits.

In our view, PMF's portfolio is well-positioned to take advantage of opportunities in the small- and micro-cap sectors. We believe that when the market again emphasizes "quality," as opposed to its current emphasis on momentum, good things will follow for Pennsylvania Mutual Fund.

## GOOD IDEAS AT THE TIME 1999 Net Realized and Unrealized Loss

Medical Assurance	\$2,742,045
New England Business Service	2,712,277
PXRE Group	2,683,768
Stone & Webster	2,499,517
800 JR Cigar	2,488,250

**Medical Assurance** — The stock of this malpractice protection insurance provider plummeted during 1999 along with that of other insurance companies. We continued to build our position as its price dropped, confident that the stock will rebound once insurance stocks recover.

**New England Business Service** — Unfortunately, 1999 was as bad as 1998 was good for this business product marketer, with the decline in stock price exacerbated by a modestly missed third-quarter earnings report. Our continued optimism stems from the company's management strength and diverse client base, as well as what we think is a very favorable valuation.

## PORTFOLIO DIAGNOSTICS

Median Market Cap.	\$412 million
Weighted Average P/E Ratio	14.2x
Weighted Average P/B Ratio	1.6x
Weighted Average Yield	1.5%
Fund Net Assets	\$500 million
Turnover Rate	21%
Symbol (Investment Class)	PENNX
(Consultant Class)	RYPCX

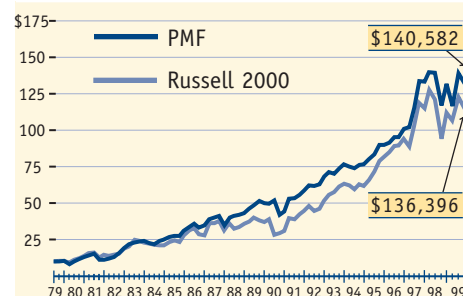
## TOP 10 POSITIONS % of Net Assets

Gallagher (Arthur J.) & Co.	1.9%
Simpson Manufacturing	1.6
Duff & Phelps Credit Rating	1.5
Velcro Industries	1.5
Curtiss-Wright	1.4
Circle International Group	1.3
Florida Rock Industries	1.3
Haemonetics	1.3
Arnold Industries	1.3
National Computer Systems	1.2

## PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Technology	16.7%
Industrial Products	16.7
Industrial Services	16.2
Financial Services	10.2
Financial Intermediaries	9.7
Consumer Products	9.4
Natural Resources	7.0
Consumer Services	3.7
Health	3.0
Miscellaneous	4.5
Cash & Cash Equivalents	2.9

## PENNSYLVANIA MUTUAL FUND vs. RUSSELL 2000 Value of \$10,000 Invested on 12/31/79



Includes reinvestment of distributions.

AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	10.7%
Jul-Dec 1999*	10.7
1-Year	35.4
Since Inception (11/18/98)	40.3

\*Not annualized.

CALENDAR YEAR TOTAL RETURNS	
Year	RSF
1999	35.4%

- Invests in a concentrated portfolio of small- and micro-cap stocks
- Unlike any other mutual Fund presently offered, the Fund utilizes an all-inclusive management fee that varies based strictly on the Fund's performance
- Designed for qualified investors, those with a net worth exceeding \$1.5 million

MANAGER’S DISCUSSION

**R**oyce Select Fund (RSF) made its first full year of performance a good one. In 1999, the Fund was up 35.4%, significantly ahead of its benchmark, the small-cap oriented Russell 2000, which was up 21.3%. The Fund’s average annual total return since inception (11/18/98) was 40.3%, well in excess of what we think is sustainable over time.

Although the Fund got off to a slow start, it managed to decline less than its benchmark in the first quarter. RSF stayed well ahead of the Russell 2000 in the second and third quarters and performed solidly in the fourth quarter. RSF achieved its impressive return in a year in which value considerably underperformed growth across all capitalization categories. The Fund’s modest asset size and healthy cash flow contributed to 1999 performance by providing the flexibility needed to capture opportunities.

The Fund’s portfolio of small- and micro-cap stocks took on slightly more risk in 1999, although the attributes that we look for in the portfolio remained generally conservative, as measured by balance sheet quality and cash flow characteristics. This approach proved to be effective in an environment that rewarded higher risk. The sectors that made the greatest positive impact on the Fund’s performance were Technology and Industrial Services, while those with the greatest negative impact were Consumer Products and Industrial Products. The Fund’s success can be seen in its total net realized and unrealized gain on investments in 1999 of \$2,121,055.

GOOD IDEAS THAT WORKED 1999 Net Realized and Unrealized Gain	
REMEC	\$301,205
Pioneer-Standard Electronics	157,500
Interim Services	120,883
Arrow Electronics	114,449
Charming Shoppes	111,605

**REMEC** — The stock of this microwave component manufacturer see-sawed up and down through most of 1999. Acquisition complications during the spring drove prices further down, enabling us to build a larger position before a major upsurge late in the fourth quarter.

**Pioneer-Standard Electronics** — The price of this international distributor of electronic components and computer systems remained low through the first quarter of 1999, following 1998’s third-quarter correction. It began to recover in 1999’s second quarter and remained at lofty levels through the end of the year.

In 1999, we found what we think are still good values in the under-followed logistics and transportation industry, increasing our position in Pittston BAX Group and initiating one in Circle International Group. Taking advantage of bargain-priced insurance stocks throughout 1999, we took new positions in LaSalle Re Holdings, a reinsurance company, and PMA Capital Cl. A, an insurer offering property, casualty and workers' compensation coverage. We also purchased Haemonetics, a manufacturer of medical products for the collection of blood and plasma.

Seven new positions were among the Fund's top ten holdings, including Titan Exploration, an oil and gas exploration company whose price declined in the first quarter, Henry Schein, a dental supply distributor whose stock we purchased during a short-term earnings interruption, Interim Services, a leading staffing services company with a solid balance sheet, and Pioneer-Standard Electronics, an electronics and computer components distributor whose price has yet to fully recover from the Asian crisis.

We are very pleased with the Fund's early performance, and remain excited about the Fund's long-term return potential. The Fund invests in a concentrated portfolio of small- and micro-cap stocks and is available only for qualified investors. Daily net asset values are available on our website, [www.roycefunds.com](http://www.roycefunds.com), or by calling Investor Services at (800) 221-4268.

## GOOD IDEAS AT THE TIME 1999 Net Realized and Unrealized Loss

North Face (The)	\$159,995
PCD	81,680
Structural Dynamics Research	59,566
Cornell Corrections	42,490
Frozen Food Express Industries	37,438

**PCD** — This designer and manufacturer of electronic connectors was penalized by earnings disappointments and a failure to expand its business and rebuild its inventory effectively. We are sticking with it for now, confident that management can make up for past mistakes.

**North Face (The)** — The stock price of this outerwear designer reflected the turmoil that the company suffered both financially and organizationally in 1999. We like their strong brand name, but see a need for the company to strengthen all aspects of its operation before any rebound occurs.

## PORTFOLIO DIAGNOSTICS

Median Market Cap.	\$387 million
Weighted Average P/E Ratio	13.2x
Weighted Average P/B Ratio	1.2x
Weighted Average Yield	0.7%
Fund Net Assets	\$10 million
Turnover Rate	136%

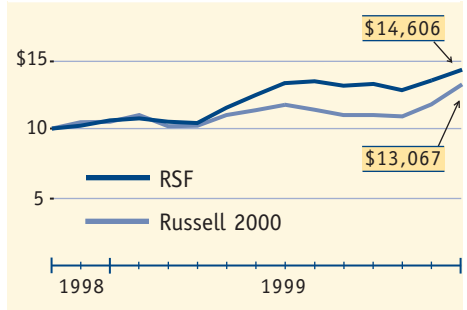
## TOP 10 POSITIONS % of Net Assets

Titan Exploration	4.7%
Schein (Henry)	4.5
Interim Services	3.6
Pittston BAX Group	3.4
LaSalle Re Holdings	3.3
PMA Capital Cl. A	3.3
Medical Assurance	3.2
Zenith National Insurance	3.1
Pioneer-Standard Electronics	2.9
North Face (The)	2.9

## PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Industrial Services	21.9%
Technology	18.5
Financial Intermediaries	16.0
Natural Resources	14.4
Industrial Products	9.2
Health	6.5
Consumer Products	6.2
Consumer Services	2.9
Financial Services	2.7
Cash & Cash Equivalents	1.7

## ROYCE SELECT FUND vs. RUSSELL 2000 Value of \$10,000 Invested on 11/18/98



Includes reinvestment of distributions.

**AVERAGE ANNUAL TOTAL RETURNS**  
Through 12/31/99

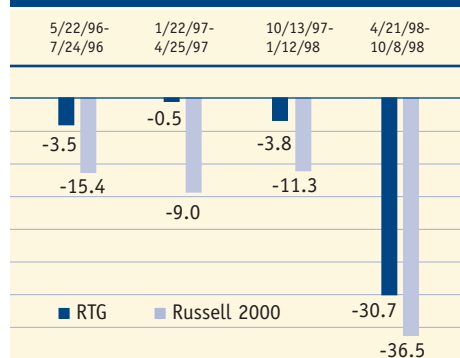
Fourth Quarter 1999*	18.9%
Jul-Dec 1999*	21.7
1-Year	41.8
3-Year	28.8
Since Inception (12/27/95)	27.9

\*Not annualized.

**MORNINGSTAR VOLATILITY MEASURES\***

	RTG	Category Median	Best Decile Breakpoint
Standard Deviation	24.47	25.72	18.20
Mstar Risk Ratio	0.78	1.31	1.00
Beta	0.70	1.00	0.69

\* Three years ended 12/31/99. Category Median and Best Decile Breakpoint based on 289 small-cap objective funds (lowest expense class only) with at least three years of history.

**DOWN MARKET PERFORMANCE COMPARISON**  
All Down Periods of 7.5% or Greater, in Percentages (%)

**CALENDAR YEAR TOTAL RETURNS**

Year	RTG
1999	41.8%
1998	19.5
1997	26.0
1996	25.6

**MANAGER'S DISCUSSION**

**R**oyce Trust & GiftShares Fund (RTG) had an outstanding year. In 1999, the Fund was up 41.8%, significantly ahead of its benchmark, the small-cap oriented Russell 2000, which was up 21.3%. The Fund's average annual total return since inception (12/27/95) was 27.9%.

The Fund made up for its slow first-quarter start by substantially outperforming its benchmark in the second and third quarters and maintained a slight edge in the fourth quarter. RTG achieved its impressive return in a year in which value considerably underperformed growth across all capitalization categories. The Fund's modest asset size and relatively stable pool of capital gave it enough flexibility to take advantage of several profitable opportunities this year.

The long-term nature of the Fund's trust account structure enabled us to take on slightly more risk in a concentrated portfolio of both small- and micro-cap stocks. This approach was ideally suited to 1999's market environment, which rewarded higher risk. The sectors that made the greatest positive impact on the Fund's performance were Technology and Industrial Services. One measure of the Fund's success is its 1999 total realized and unrealized gain of \$5,243,892.

We increased our exposure during the year in the Industrial Services and Natural Resources sectors. New positions in the Industrial Services sector included AirNet Systems and Pittston BAX Group, two conservatively capitalized logistics and transportation companies. We also picked up Olsten, a temporary employment

**GOOD IDEAS THAT WORKED**  
1999 Net Realized and Unrealized Gain

Exar	\$436,047
REMEC	353,986
Trex Company	251,326
Check Point Software	246,121
CIBER	240,290

**Exar** — This manufacturer of integrated circuits for high-speed broadband communications developed new products that created a major turnaround in the company's prospects, leading the stock price to surge in the fourth quarter.

**REMEC** — The stock of this microwave component manufacturer see-sawed up and down through most of 1999. Acquisition complications during the spring drove prices further down, enabling us to build a larger position before a major upsurge late in the fourth quarter.

† All performance and risk information presented herein is for RTG's Investment Class. Shares of RTG's Consultant Class, which commenced operations on September 26, 1997, bear an annual distribution expense and are subject to a deferred sales charge, which are not borne by the Investment Class.

agency in the process of a hoped-for major turnaround, at an average price of approximately \$7.50 in the first half. We purchased a new position in Input/Output, a manufacturer of seismic data instruments for the oil and gas industry that we think has strong recovery potential. We also added to our position in Titan Exploration, an oil and gas exploration company, when energy stocks became cheaper earlier in the year.

From a portfolio diagnostics standpoint, there were few changes in 1999. However, several new positions were among the Fund's top ten holdings — Stone & Webster, an engineering, design and construction firm in the process of restructuring; Interim Services, a staffing and career management services company that offers what in our view is a winning combination of attractive value and high balance sheet quality; and Henry Schein, a dental supply distributor whose stock we purchased during a short-term earnings interruption. Departing the portfolio were former top ten holdings Chiron and Sunglass Hut International, both of which appreciated beyond our sell targets.

As pleased as we were with RTG's 1999 performance, we remain excited about the portfolio's long-term return potential. The Fund remains one of the only gifting and estate-planning portfolios available. Daily net asset values are now available in most major newspapers, and can be found online by entering the Fund's symbol, RGFAX for the Investment Class or RGFCX for the Consultant Class. Along with our other funds, daily net asset values can also be found at [www.roycefunds.com](http://www.roycefunds.com).

## GOOD IDEAS AT THE TIME 1999 Net Realized and Unrealized Loss

North Face (The)	\$224,213
800 JR Cigar	142,764
Respironics	126,215
PCD	107,741
BHA Group Holdings	95,493

**North Face (The)** — The stock price of this outerwear designer reflected the turmoil that the company suffered both financially and organizationally in 1999. We like their strong brand name, but see a need for the company to strengthen all aspects of its operation before any rebound occurs.

**800 JR Cigar** — A glut of premium cigars caused this mail-order distributor to miss quarterly earnings estimates and subsequently slump just like other tobacco-related companies did in 1999. We remain optimistic due to the company's low valuation and the fact that company management holds about 75% of the stock.

## PORTFOLIO DIAGNOSTICS

Median Market Cap.	\$383 million
Weighted Average P/E Ratio	15.5x
Weighted Average P/B Ratio	1.4x
Weighted Average Yield	0.6%
Fund Net Assets	\$19 million
Turnover Rate	152%
Symbol (Investment Class)	RGFAX
(Consultant Class)	RGFCX

## TOP 10 POSITIONS % of Net Assets

Stone & Webster	4.2%
Titan Exploration	3.5
Interim Services	3.0
Schein (Henry)	2.8
Medical Assurance	2.8
Pittson BAX Group	2.7
Input/Output	2.7
RCM Technologies	2.5
REMEC	2.5
Carbo Ceramics	2.5

## PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Technology	23.3%
Industrial Services	18.6
Natural Resources	14.8
Financial Intermediaries	8.4
Consumer Products	8.1
Health	6.9
Industrial Products	5.5
Cash & Cash Equivalents	14.4

## ROYCE TRUST & GIFTSHARES FUND vs. RUSSELL 2000 Value of \$10,000 Invested on 12/27/95

Includes reinvestment of distributions.

## AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99

Fourth Quarter 1999*	3.5%
Jul-Dec 1999*	-0.4
1-Year	1.6
3-Year	9.6
5-Year	15.9
Since Inception (12/15/93)	13.9

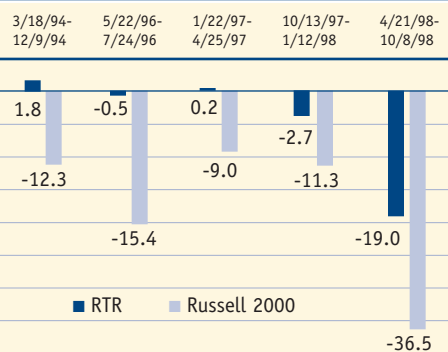
\*Not annualized.

## MORNINGSTAR VOLATILITY MEASURES\*

	RTR	Category Median	Best Decile Breakpoint
Standard Deviation	12.47	25.72	18.20
Mstar Risk Ratio	0.67	1.31	1.00
Beta	0.46	1.00	0.69

\* Three years ended 12/31/99. Category Median and Best Decile Breakpoint based on 289 small-cap objective funds (lowest expense class only) with at least three years of history.

## DOWN MARKET PERFORMANCE COMPARISON All Down Periods of 7.5% or Greater, in Percentages (%)



## CALENDAR YEAR TOTAL RETURNS

Year	RTR
1999	1.6%
1998	4.8
1997	23.7
1996	25.5
1995	26.9
1994	5.1

## MANAGER'S DISCUSSION

If, at the end of 1998, someone had asked us which of our portfolios would perform best in 1999, we would have put **Royce Total Return Fund (RTR)** at the top of the list. And we would have been dead wrong. For the full year, RTR was up 1.6%, significantly lagging its benchmark, the small-cap oriented Russell 2000, which was up 21.3%. We were disappointed with the Fund's performance vis-a-vis the other Royce Funds and our long-term performance goals for the portfolio. That said, the Fund outperformed the Russell 2000 Value index, down 1.5%, and the Wilshire Small-Cap Value index, down 15.6%. The Fund also managed to finish in the top 46% of the 230 small-cap value funds tracked by Morningstar for 1999 (top 22% for the five years ended 12/31/99 out of 76 funds in the category). RTR's average annual total return since inception (12/15/93) was 13.9%.

The Fund began the year with uncharacteristic performance, losing ground to the Russell 2000 in the first-quarter downturn and unable to gain on its benchmark in the second-quarter rally. In the third quarter, RTR returned to its more historically typical standard of outperforming the Russell 2000 in a down market, and underperforming in the dynamic fourth quarter. The Fund's relative difficulties late in the year are primarily attributable to its low investment in technology and other high-growth companies during a period in which little else performed well.

RTR's net increase from investment operations in 1999 was \$2.1 million, which includes \$5.8 million of dividends and interest. The Fund's wide range of stock price performance can be seen in the panel below. We did not expect to be so severely

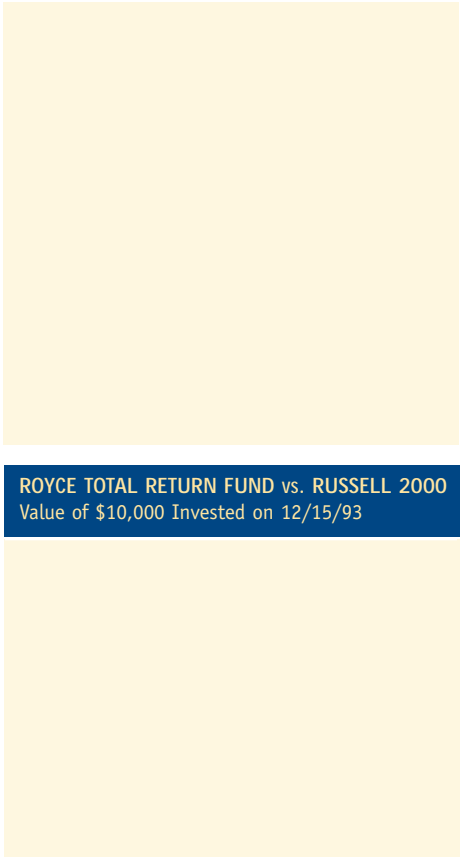
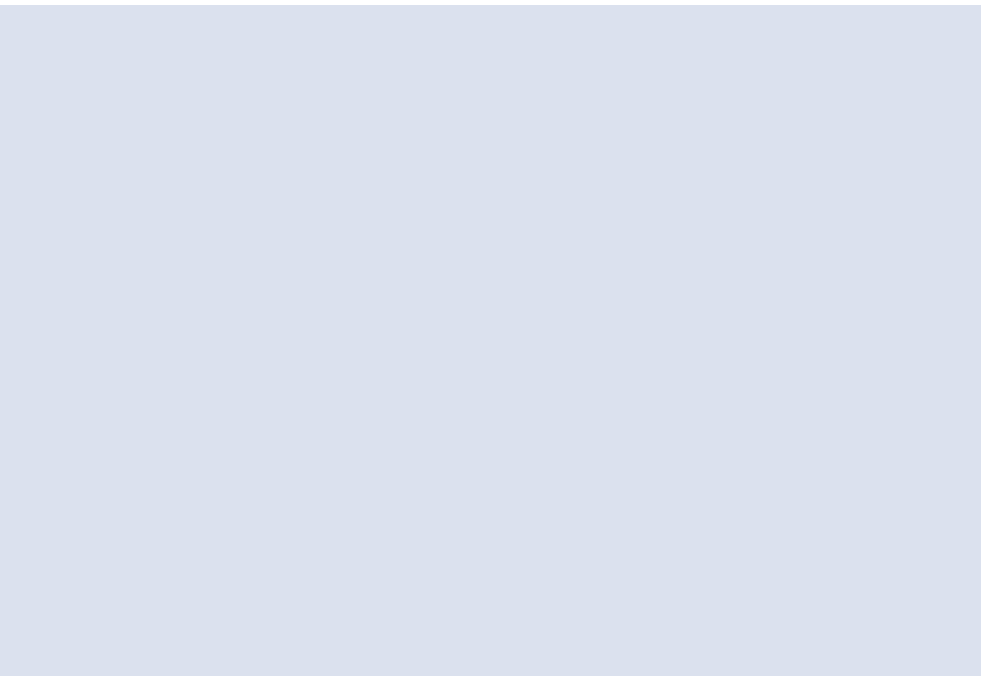
## GOOD IDEAS THAT WORKED 1999 Net Realized and Unrealized Gain

Comdisco	\$3,085,830
Helix Technology	2,997,197
Roper Industries	1,655,012
True North Communications	1,639,423
Air Express International	1,518,173

**Comdisco** — This firm has leveraged their expertise in leasing computer equipment and technology into a profitable combination of leasing information technology services, Internet access and Internet venture capital opportunities.

**True North Communications** — The stock price of this leading advertising agency took off in the fourth quarter. The company has been a major beneficiary of the fattening advertising budgets of Internet and other high-growth companies.

Median Market Cap.	\$362 million



ROYCE TOTAL RETURN FUND vs. RUSSELL 2000  
Value of \$10,000 Invested on 12/15/93

Includes reinvestment of distributions.

## ROYCE LOW-PRICED STOCK FUND

### AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99

Fourth Quarter 1999*	18.5%
Jul-Dec 1999*	13.5
1-Year	29.8
3-Year	16.7
5-Year	19.0
Since Inception (12/15/93)	16.1

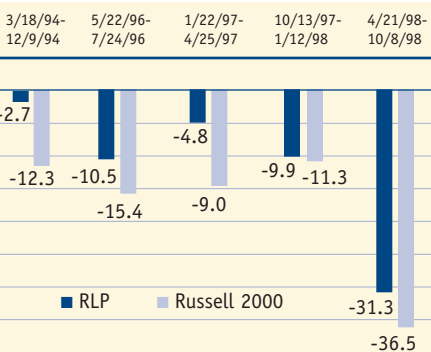
\*Not annualized.

### MORNINGSTAR VOLATILITY MEASURES\*

	RLP	Category Median	Best Quartile Breakpoint
Standard Deviation	22.73	25.72	20.95
Mstar Risk Ratio	1.10	1.31	1.14
Beta	0.66	1.00	0.82

\* Three years ended 12/31/99. Category Median and Best Decile Breakpoint based on 289 small-cap objective funds (lowest expense class only) with at least three years of history.

### DOWN MARKET PERFORMANCE COMPARISON All Down Periods of 7.5% or Greater, in Percentages (%)



### CALENDAR YEAR TOTAL RETURNS

Year	RLP
1999	29.8%
1998	2.4
1997	19.5
1996	22.8
1995	22.5
1994	3.0

## MANAGER'S DISCUSSION

**Royce Low-Priced Stock Fund (RLP)** enjoyed a strong year in both a relative and an absolute sense. For the full year, the Fund was up 29.8%, ahead of its benchmark, the small-cap oriented Russell 2000, which was up 21.3%. The Fund's average annual total return since inception (12/15/93) was 16.1%. *Effective January 1, 2000, W. Whitney George became the Fund's Portfolio Manager. He has been actively involved with the Fund for several years.*

In terms of quarterly performance patterns, 1999 was as odd as it was profitable. After a slow first-quarter start, RLP rebounded sharply in the second quarter, held its own in the third-quarter downturn and matched its benchmark with a strong fourth-quarter finish. Performance was historically uncharacteristic in that value typically outperforms during downdrafts and underperforms during updrafts, but in 1999's first two quarters, the opposite was true for RLP.

The Fund's investments in more volatile low-priced stocks served it well in a market that seemed to reward higher risk with higher returns. In spite of this inherent volatility, RLP attempts to invest in securities that have low leverage and strong earnings records and/or prospects. We believe that investing in a more volatile sector with a conservative approach enabled the Fund to perform well. Some major contributors to the Fund's total realized and unrealized gain can be found below.

The sector that made the greatest positive impact on the Fund's performance was Technology, followed by Consumer Services and Consumer Products. During the year, we purchased new positions in the information technology services providers CIBER

### GOOD IDEAS THAT WORKED 1999 Net Realized and Unrealized Gain

Aurora Biosciences	\$668,628
Corel	552,073
Comdisco	468,386
Marshall Industries	427,926
Helix Technology	415,654

**Aurora Biosciences** — Both institutional interest and the stock price were low early in 1999 for this designer and developer of systems that enhance and accelerate the discovery of new drugs, although we were drawn by what we thought was terrific management. Late

in the year, the company attracted serious attention from Wall Street, which led to a significant increase in the stock price.

**Corel** — This long-troubled Canadian software designer and manufacturer seemed to struggle until the company began to produce software for use in the Linux operating systems. Shortly afterwards, growth investors could not seem to get enough of the stock, which nearly quadrupled in value during the fourth quarter.

and Syntel when Y2K anxiety created an earnings slowdown; a subsequent recovery came about as excellent opportunities, including e-commerce for CIBER, began to materialize. Another new technology position is Comdisco, a long-term holding in other Royce portfolios, that has successfully parlayed its expertise in the technology leasing business into new areas such as Internet access and Internet venture capital. We sold part of our position in the fourth quarter, but held on to the rest as we remain believers in the company's long-term prospects. We also sold our entire position in Helix Technology when it reached our estimate of its full value.

We initiated new positions in PAREXEL International, a contract research services provider and a leader in the growing business of pharmaceutical outsourcing whose recent reorganization makes us hopeful that it can resume its previous pattern of steady growth; Aurora Biosciences, what we believe is a well-managed drug development company; Stone & Webster, an engineering, design and construction firm whose share price plunged as the company weathered a financial crisis that has recently shown signs of abating; and Interim Services, a staffing services company that went through a rough year itself, but emerged from the successful integration of a merger with a solid balance sheet and steady business growth intact.

Although valuations for the portfolio have risen as measured by weighted average P/E and P/B ratios, we still see plenty of return potential based on the underlying fundamentals of the companies in RLP's portfolio. Looking forward, we are particularly interested in out-of-favor sectors such as energy and insurance.

## GOOD IDEAS AT THE TIME 1999 Net Realized and Unrealized Loss

Oakley	\$300,749
800 JR Cigar	197,404
Cornell Corrections	177,619
Richardson Electronics	167,895
Frozen Food Express Industries	163,751

**Oakley** — The company continues to be the dominant force in the sunglasses business, but its stock price was stomped on as a result of its slow start in the footwear industry. We still have high hopes based on their strong brand name and talented management.

**800 JR Cigar** — A glut of premium cigars caused this mail-order distributor to miss quarterly earnings estimates and subsequently slump just like other tobacco-related companies did in 1999. We remain optimistic due to the company's low valuation and the fact that company management holds about 75% of the stock.

## PORTFOLIO DIAGNOSTICS

Median Market Cap.	\$400 million
Weighted Average P/E Ratio	14.9x
Weighted Average P/B Ratio	1.4x
Weighted Average Yield	0.8%
Fund Net Assets	\$25 million
Turnover Rate	103%
Symbol	RYLPX

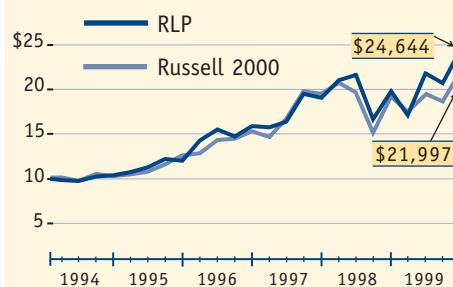
## TOP 10 POSITIONS % of Net Assets

Charming Shoppes	3.2%
Richardson Electronics	2.6
Sevenson Environmental Services	2.5
Titan Exploration	2.5
Morrison Knudsen	2.5
PAREXEL International	2.4
CIBER	2.2
Denbury Resources	2.2
Aurora Biosciences	2.2
West Teleservices	2.0

## PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Industrial Services	20.8%
Technology	20.7
Natural Resources	13.8
Health	10.3
Consumer Products	7.8
Consumer Services	7.6
Financial Intermediaries	2.5
Financial Services	2.1
Industrial Products	1.8
Miscellaneous	4.6
Cash & Cash Equivalents	8.0

## ROYCE LOW-PRICED STOCK FUND vs. RUSSELL 2000 Value of \$10,000 Invested on 12/15/93



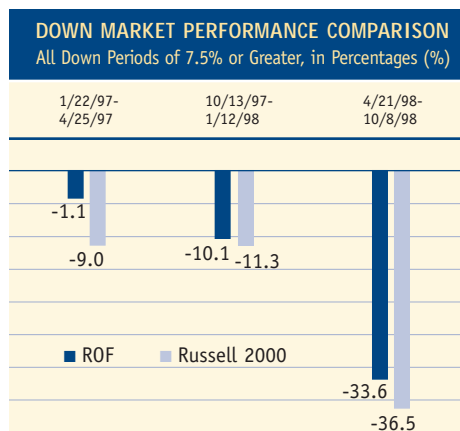
Includes reinvestment of distributions.

AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	15.3%
Jul-Dec 1999*	14.8
1-Year	32.3
3-Year	18.8
Since Inception (11/19/96)	20.0

\*Not annualized.

MORNINGSTAR VOLATILITY MEASURES*			
	ROF	Category Median	Best Quartile Breakpoint
Standard Deviation	23.85	25.72	20.95
Mstar Risk Ratio	1.05	1.31	1.14
Beta	0.73	1.00	0.82

\* Three years ended 12/31/99. Category Median and Best Decile Breakpoint based on 289 small-cap objective funds (lowest expense class only) with at least three years of history.



CALENDAR YEAR TOTAL RETURNS	
Year	ROF
1999	32.3%
1998	4.9
1997	20.8

## MANAGER'S DISCUSSION

**R**oyce Opportunity Fund (ROF), managed by Buzz Zaino, enjoyed a strong year. ROF was up 32.3%, significantly ahead of its benchmark, the small-cap oriented Russell 2000, which was up 21.3% in 1999. The Fund's average annual total return since inception (11/19/96) was 20.0%.

More than making up for its slow first-quarter start, the Fund substantially outperformed its benchmark in the second and third quarters and then performed solidly in the fourth quarter. The Fund's more opportunistic approach, which allows us to take on relatively more risk in a portfolio of primarily small- and micro-cap stocks, was ideally suited to a market driven by the notion that more risk meant more return. The Fund benefited from its substantial weightings in technology companies, the dominant sector in 1999, as well as from some key positions in micro-cap companies, where higher risk, in the form of pricing inefficiencies and higher volatility creates the potential for higher returns. ROF's total realized and unrealized gain on investments in 1999 of \$12,999,670 is a revealing indicator of its success.

Companies in the Technology sector made the greatest positive impact on the Fund's performance, with those in Industrial Products a distant second. Industry problems and market neglect kept insurance stocks in the Financial Intermediaries sector struggling for most of the year. However, their low prices also provided us with the opportunity to pick up new positions both in the reinsurer PXRE Group and the multi-line insurer WR Berkley, two companies that we think are very well managed and thus poised for a reversal of market fortunes. We also took new positions in FLIR

GOOD IDEAS THAT WORKED 1999 Net Realized and Unrealized Gain	
Adaptive Broadband	\$762,576
Photon Dynamics	714,544
Media 100	517,602
California Micro Devices	495,246
Keithley Instruments	482,668

**Adaptive Broadband** — New management at this network access equipment manufacturer concentrated the firm's product lines, sold off others and paid down debt. These moves helped the firm to reap great benefits from 1999's enormous appetite for technology

stocks, and we sold our position after the stock price soared beyond our initial estimate of its full value.

**Photon Dynamics** — A depressed price for a company with few competitors first attracted us to this manufacturer of test equipment for the flat panel display industry. Its business began to grow and the market followed as the company's stock price soared during 1999's fourth quarter.

Systems, a well-run designer and manufacturer of thermal imaging units, and two companies in the pumps, valves and bearings industry — Flowserve, and Ingersoll Rand.

PORTFOLIO DIAGNOSTICS	
Median Market Cap.	\$203 million
Weighted Average P/E Ratio	12.9x
Weighted Average P/B Ratio	1.2x
Weighted Average Yield	0.9%
Fund Net Assets	\$60 million
Turnover Rate	122%
Symbol	RYPNX

TOP 10 POSITIONS % of Net Assets	
Bell Microproducts	1.2%
Keithley Instruments	1.2
MSC.Software	1.1
Robotic Vision Systems	1.1
Cable Design Technologies	1.0
Arch Chemicals	1.0
Cubic	0.9
ESS Technology	0.9
Precision Castparts	0.9
Good Guys (The)	0.9

PORTFOLIO SECTOR BREAKDOWN	
% of Net Assets	
Technology	33.5%
Industrial Products	28.6
Industrial Services	9.8
Consumer Services	5.9
Natural Resources	4.9
Consumer Products	4.7
Health	2.4
Financial Intermediaries	2.0
Miscellaneous	4.8
Bond	0.1
Cash & Cash Equivalents	3.3

ROYCE OPPORTUNITY FUND vs. RUSSELL 2000  
Value of \$10,000 Invested on 11/19/96

Includes reinvestment of distributions.

**Modtech** — A 1999 turnaround failed to materialize for this modular builder because political wrangling held up a contract to build schools in California.

American Bank Note Holographics —

What first appeared to be a profitable and promising manufacturer of holographic financial products turned out to be a company engaging in fraudulent accounting practices. We subsequently sold our position.



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**CHUCK:** I think it has had an unintended limiting effect, but more in terms of investment style than asset class. Many companies that we look at don't fit the classic, Ben Graham-style value mold, but they probably wouldn't be classified as growth companies, either. We try to buy cheap companies that we believe have the potential to grow, but we also pay close attention to risk factors that should give us protection against the downside. I don't really like being considered a straight-out value investor. I want to be known as a very good investor in the small-cap world, one who takes into account both risk and reward. Whether small-cap growth is doing better than value, or vice-versa, is not something that affects our day-to-day work.

**JACK:** Has the delineation of asset classes and investment styles created too much emphasis on relative performance and not enough on absolute?

**WHITNEY:** Unfortunately, there's no question that relative performance is the name of the game today. We've often said that you can't eat from the table of relative performance, but many investors think that a fund's investment objective is to be the top performer in its asset class every single quarter. *We think our job as active managers is to deliver above-average absolute returns, adjusted for both risk and inflation.* We try to accomplish this over long-term periods, usually three or more years. *It's unreasonable to expect a manager to outperform in every short-term performance period.* It's a nice idea, and we're certainly proud of our relative performance achievements, but that's not our goal. Short-term returns are only important insofar as they contribute to the goal of building strong absolute returns over the long term.

I want to be known as a very good investor in the small-cap world, one who takes into account both risk and reward. Whether small-cap growth is doing better than value, or vice-versa, is not something that affects our day-to-day work.

**JACK:** Is it old-fashioned to talk about absolute performance when so many investors own funds in different classes with different styles and are generally just looking at the top performers in the most recent period and making their picks that way?

**CHUCK:** It's true that many people tend to invest by looking in the rearview mirror—they want yesterday's stellar returns today and in the future. Since this is essentially impossible, we think that investors should look instead at a fund's long-term returns and how they were achieved. They should also learn about a manager's methodology, philosophy and risk tolerance. *Unfortunately, the typical investor presumes that what worked in the last few years will work in the next few.* We're thrilled that some of *The Royce Funds* did well last year, but I certainly couldn't have predicted in 1998 which portfolios would do well in 1999. There was no way of telling that Royce Total Return Fund would have been a disappointment or that Royce Select Fund and Royce Trust & GiftShares Fund would perform so well. I'm sure that this year will have its own surprises. This takes us back to the importance of staying true to our approach over the long haul.

### FIRM UPDATES

W. Whitney George became the Portfolio Manager for Royce Low-Priced Stock Fund effective January 1, 2000. Mr. George, a Managing Director and Senior Portfolio Manager, has been actively involved with the Fund for several years.

The Investment Classes of all of our funds are available directly through The Royce Funds. Royce Premier Fund, Royce Total Return Fund and Royce Low-Priced Stock Fund are also generally available for purchase on a no-transaction-fee basis through most mutual fund supermarkets (discount brokers). Following recent changes, other Royce Funds, including Pennsylvania Mutual Fund (PMF), Royce Micro-Cap Fund (RMC) and Royce Opportunity Fund, can be purchased through the supermarkets on a transaction-fee basis, or in the case of PMF and RMC, through full service brokers. Royce Select Fund is generally available through financial advisors, while Royce Trust & GiftShares Fund can be purchased directly through The Royce Funds and through certain brokerage firms.

Effective January 1, 2000, The Royce Funds' early redemption fee period was reduced from one year to six months. This policy, which applies to purchases made directly or through mutual fund supermarkets (discount brokers), assesses an early redemption fee of 1% to discourage short-term investing. (There are no redemption fees on Royce Trust & GiftShares Fund — Investment Class, and the redemption fee period for Royce Select Fund remains at three years.)

We are pleased to report that we began the new year with no Y2K-related problems in our internal computer systems.



### NEW @ [www.roycefunds.com](http://www.roycefunds.com)

We completed the redesign of our website in November, with a new look for our homepage and improved navigation. Please e-mail us at [funds@roycenet.com](mailto:funds@roycenet.com) and let us know what you think.

This Annual Report is available on our website in both PDF (Portable Document Format) for easy printing and HTML format for easy online reading.

### NOTES TO PERFORMANCE AND RISK INFORMATION

All performance information is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so that shares may be worth more or less than their original cost when redeemed. The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies that may involve considerably more risk than investments in securities of larger-cap companies (see "Primary Risks" in the prospectus). Historical market trends are not necessarily indicative of future market movements. There can be no assurance that securities mentioned in this report will be included in any Royce-managed portfolio in the future.

Morningstar proprietary risk ratio measures a fund's downside volatility relative to all equity funds, which have an average score of 1.00. The lower the risk ratio, the lower a fund's downside volatility has been. For the 289 funds in the small-cap objective category with a three-year history, the average Morningstar risk ratio was 1.35 for the three years ended 12/31/99. Beta is a measure of sensitivity to market movements compared to the unmanaged S&P Index, with the beta of the S&P 500 equal to 1.00. A low beta means that a fund's market reflected volatility has been low. Standard deviation is a statistical measure within which a fund's total returns have varied over time. The greater the standard deviation, the greater a fund's volatility.

The Russell 2000, Russell 2000 Value, Russell 2000 Growth, Wilshire Small-cap Value, Nasdaq Composite, Nasdaq 100, Dow Jones Industrial Average and S&P 500 are unmanaged indices of domestic common stocks. The Royce Funds and Royce Trust & GiftShares Fund are service marks of The Royce Funds. Distributor: Royce Fund Services, Inc.

## ROYCE PREMIER FUND

## COMMON STOCKS – 91.1%

	SHARES	VALUE
<b>Consumer Products – 2.1%</b>		
Apparel and Shoes - 0.9%		
Wolverine World Wide	451,800	\$ 4,941,562
<b>Sports and Recreation - 1.2%</b>		
Oakley*	1,191,300	6,626,606
		<u>11,568,168</u>
<b>Consumer Services – 1.8%</b>		
Retail Stores - 1.8%		
Charming Shoppes*	1,556,800	<u>10,313,800</u>
<b>Financial Intermediaries – 12.9%</b>		
Insurance - 12.9%		
Commerce Group	533,900	13,948,137
Erie Indemnity Company Cl. A	299,900	9,709,263
Medical Assurance*	400,190	8,479,026
RenaissanceRe Holdings	209,600	8,567,400
Wesco Financial	44,550	10,914,750
White Mountains Insurance Group	64,600	7,784,300
Zenith National Insurance	682,000	14,066,250
		<u>73,469,126</u>
<b>Financial Services – 10.4%</b>		
Information and Processing - 2.3%		
Fair, Isaac and Co.	251,300	<u>13,318,900</u>
<b>Insurance Brokers - 4.8%</b>		
Blanch (E.W.) Holdings	153,800	9,420,250
Gallagher (Arthur J.) & Co.	272,900	17,670,275
		<u>27,090,525</u>
<b>Investment Management - 3.3%</b>		
John Nuveen Company Cl. A	216,800	7,818,350
Pioneer Group (The)*	689,900	10,865,925
		<u>18,684,275</u>
		<u>59,093,700</u>
<b>Health – 3.1%</b>		
Surgical Products and Devices - 3.1%		
Haemonetics*	746,000	<u>17,764,125</u>
<b>Industrial Products – 13.8%</b>		
Building Systems and Components - 2.6%		
Simpson Manufacturing*	331,300	<u>14,494,375</u>
<b>Construction Materials - 2.7%</b>		
Florida Rock Industries	453,700	<u>15,624,294</u>
<b>Machinery - 4.6%</b>		
Lincoln Electric Holdings	723,990	14,932,294
Nordson	232,800	11,232,600
		<u>26,164,894</u>
<b>Pumps, Valves and Bearings - 1.5%</b>		
Roper Industries	223,500	<u>8,451,094</u>
<b>Textiles - 2.4%</b>		
Unifi*	1,116,700	13,749,369
		<u>78,484,026</u>

## Industrial Services – 14.8%

<b>Commercial Services - 4.6%</b>		
Interim Services*	784,900	\$ 19,426,275
Shared Medical Systems	135,000	6,876,562
		<u>26,302,837</u>

## Engineering and Construction - 1.5%

Morrison Knudsen*	1,093,000	<u>8,539,062</u>
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## Printing - 2.2%

Bowne & Co.	381,100	5,144,850
New England Business Service	298,900	7,304,369
		<u>12,449,219</u>

## Transportation and Logistics - 6.5%

Air Express International	475,500	15,364,594
C. H. Robinson Worldwide	93,300	3,708,675
Circle International Group	278,100	6,187,725
Expeditors International of Washington	121,600	5,327,600
Pittston Brink's Group	276,700	6,087,400
		<u>36,675,994</u>
		<u>83,967,112</u>

## Natural Resources – 8.0%

<b>Energy Services - 1.3%</b>		
Nabors Industries*	250,100	<u>7,737,469</u>

## Gold - 1.3%

Anglogold ADR+	280,100	<u>7,195,069</u>
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## Oil and Gas - 5.4%

Tom Brown*	886,610	11,858,409
Devon Energy	230,100	7,564,537
Renaissance Energy*	1,113,300	11,183,131
		<u>30,606,077</u>
		<u>45,538,615</u>

## Technology – 24.2%

<b>Aerospace/Defense - 3.9%</b>		
Curtiss-Wright	361,600	13,334,000
Woodward Governor	309,556	8,512,790
		<u>21,846,790</u>

## Components and Systems - 4.0%

Dionex*	236,700	9,749,081
National Instruments*	339,950	13,003,087
		<u>22,752,168</u>

## Distribution - 4.5%

Arrow Electronics*	240,200	6,095,075
Avnet	318,881	19,292,301
		<u>25,387,376</u>

## Semiconductors and Equipment - 1.3%

Dallas Semiconductor	111,300	<u>7,171,894</u>
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## SCHEDULES OF INVESTMENTS

### ROYCE PREMIER FUND (continued)

	SHARES	VALUE
<b>Technology (continued)</b>		
<b>Software/Services - 9.4%</b>		
American Management Systems*	177,100	\$ 5,556,513
CIBER*	180,000	4,950,000
Comdisco	562,600	20,956,850
Keane*	140,400	4,457,700
National Computer Systems	470,700	17,710,087
		<u>53,631,150</u>
<b>Telecommunication - 1.1%</b>		
Plantronics*	90,000	6,440,625
		<u>137,230,003</u>
<b>TOTAL COMMON STOCKS</b>		
(Cost \$397,732,441)		<u>517,428,675</u>
<b>REPURCHASE AGREEMENT – 5.8%</b>		
State Street Bank & Trust Company, 2.50% dated 12/31/99, due 1/3/00, maturity value \$32,721,816 (collateralized by U.S. Treasury Bonds, 6.50% – 8.50% due 5/15/16 – 11/15/26, valued at \$33,375,619) (Cost \$32,715,000)		<u>32,715,000</u>
<b>TOTAL INVESTMENTS – 96.9%</b>		
(Cost \$430,447,441)		550,143,675
<b>CASH AND OTHER ASSETS</b>		
<b>LESS LIABILITIES – 3.1%</b>		<u>17,689,908</u>
<b>NET ASSETS – 100.0%</b>		<u><b>\$567,833,583</b></u>

### ROYCE MICRO-CAP FUND

	SHARES	VALUE
<b>COMMON STOCKS – 93.8%</b>		
<b>Consumer Products – 10.7%</b>		
<b>Apparel and Shoes - 1.5%</b>		
North Face (The)*	167,300	\$ 679,656
Oshkosh B'Gosh Cl. A	47,200	994,150
		<u>1,673,806</u>
<b>Food/Beverage/Tobacco - 0.9%</b>		
Barbeques Galore ADR+*	20,000	155,000
800 JR Cigar*	95,400	828,787
		<u>983,787</u>
<b>Home Furnishing/Appliances - 3.3%</b>		
Bassett Furniture Industries	45,000	720,000
Conso International*	252,200	2,175,225
Lifetime Hoan	127,780	670,845
Neutral Posture Ergonomics*	127,200	166,950
		<u>3,733,020</u>
<b>Publishing - 1.5%</b>		
Gibson Greetings*	75,000	672,656
Marvel Enterprises*	185,400	1,019,700
		<u>1,692,356</u>
<b>Sports and Recreation - 1.0%</b>		
Aldila*	348,500	479,188
Johnson Worldwide Associates Cl. A*	45,250	320,992
Lund International Holdings*	65,750	386,281
		<u>1,186,461</u>
<b>Other Consumer Products - 2.5%</b>		
Lazare Kaplan International*	243,700	1,980,062
Rock of Ages Cl. A*	83,500	380,969
Velcro Industries	34,100	411,331
		<u>2,772,362</u>
		<u>12,041,792</u>
<b>Consumer Services – 1.6%</b>		
<b>Restaurants/Lodgings - 0.5%</b>		
Pizza Inn	133,400	550,275
<b>Retail Stores - 1.1%</b>		
Mikasa	70,000	704,375
Stein Mart*	56,200	319,637
Urban Outfitters*	7,900	230,088
		<u>1,254,100</u>
		<u>1,804,375</u>

	SHARES	VALUE		SHARES	VALUE
<b>Financial Intermediaries – 2.5%</b>			<b>Paper and Packaging - 1.2%</b>		
<b>Banking - 0.3%</b>			PalEx*	200,400	\$ 1,402,800
Bay Bancshares	20,000	\$ 357,500	<b>Pumps, Valves and Bearings - 1.8%</b>		
<b>Insurance - 2.2%</b>			Denison International ADR+*	67,400	690,850
Capitol Transamerica	20,835	209,652	NN Ball & Roller	55,700	403,825
Highlands Insurance Group*	63,200	600,400	Sun Hydraulics	137,600	894,400
NYMAGIC	41,800	551,238			<u>1,989,075</u>
Navigators Group*	33,600	336,000	<b>Specialty Chemicals and Materials - 2.1%</b>		
Nobel Insurance*	33,750	8,437	CFC International*	105,600	693,000
PXRE Group	55,800	725,400	Chemfab*	56,400	881,250
		<u>2,431,127</u>	Hauser*	51,300	160,312
		<u>2,788,627</u>	Synalloy	80,700	605,250
					<u>2,339,812</u>
<b>Financial Services – 2.1%</b>			<b>Textiles - 0.3%</b>		
<b>Information and Processing - 1.5%</b>			Fab Industries	30,700	331,944
Duff & Phelps Credit Rating	19,600	1,743,175	<b>Other Industrial Products - 1.3%</b>		
<b>Insurance Brokers - 0.4%</b>			Aerovox*	224,200	700,625
CorVel*	20,000	470,000	BHA Group Holdings	74,346	585,475
<b>Investment Management - 0.2%</b>			Mestek*	12,000	243,000
U.S. Global Investors Cl. A*	137,000	205,500			<u>1,529,100</u>
		<u>2,418,675</u>			<u>15,724,068</u>
<b>Health – 5.0%</b>			<b>Industrial Services – 15.1%</b>		
<b>Commercial Services - 3.0%</b>			<b>Commercial Services - 5.5%</b>		
ChiRex*	43,300	633,263	Applied Analytical Industries*	78,700	718,137
PAREXEL International*	115,600	1,365,525	Business Resource Group*	168,400	894,625
Young Innovations*	98,100	1,440,844	Carlisle Holdings*	172,900	2,074,800
		<u>3,439,632</u>	Cornell Corrections*	77,200	646,550
<b>Drugs and Biotech - 1.8%</b>			RCM Technologies*	69,600	1,200,600
Aurora Biosciences*	50,000	1,325,000	RemedyTemp Cl. A*	34,200	649,800
BioReliance*	100,700	575,878			<u>6,184,512</u>
Cerus Corporation*	5,000	132,500	<b>Engineering and Construction - 2.9%</b>		
		<u>2,033,378</u>	Sevenson Environmental Services	229,880	2,212,595
<b>Surgical Products and Devices - 0.2%</b>			Stone & Webster	67,100	1,128,119
Allied Healthcare Products*	71,000	168,625			<u>3,340,714</u>
		<u>5,641,635</u>	<b>Food/Tobacco Processors - 0.5%</b>		
<b>Industrial Products – 13.9%</b>			Midwest Grain Products*	80,550	594,056
<b>Building Systems and Components - 3.4%</b>			<b>Industrial Distribution - 0.2%</b>		
Falcon Products	52,500	452,812	MPW Industrial Services Group*	28,800	228,600
Simpson Manufacturing*	36,200	1,583,750	<b>Printing - 1.1%</b>		
Thor Industries	58,800	1,789,725	Ennis Business Forms	154,600	1,198,150
		<u>3,826,287</u>	<b>Transportation and Logistics - 4.9%</b>		
<b>Construction Materials - 2.8%</b>			AirNet Systems*	152,700	1,087,988
Florida Rock Industries	57,200	1,969,825	Circle International Group	48,200	1,072,450
Puerto Rican Cement	37,000	1,258,000	Forward Air*	28,400	1,231,850
		<u>3,227,825</u>	Frozen Food Express Industries*	100,050	387,694
<b>Industrial Components - 0.9%</b>			Kenan Transport	34,430	1,091,001
Woodhead Industries	85,800	997,425	Pittston BAX Group	64,600	686,375
<b>Machinery - 0.1%</b>					<u>5,557,358</u>
DeVlieg-Bullard*	570,000	79,800			<u>17,103,390</u>

## SCHEDULES OF INVESTMENTS

### ROYCE MICRO-CAP FUND (continued)

	SHARES	VALUE		SHARES	VALUE
<b>Natural Resources – 6.2%</b>			<b>Semiconductors and Equipment - 2.1%</b>		
<b>Energy Services - 2.8%</b>			Electroglas*	40,600	\$ 1,030,225
Carbo Ceramics	70,600	\$ 1,544,375	Exar*	11,000	647,625
Dril-Quip*	31,500	956,812	Veeco Instruments*	14,600	683,462
Input/Output*	129,800	657,113			<u>2,361,312</u>
		<u>3,158,300</u>	<b>Software/Services - 10.1%</b>		
<b>Oil and Gas - 3.4%</b>			CCC Information Services Group*	43,900	751,788
Denbury Resources*	211,800	913,387	CFI ProServices*	20,000	163,750
PetroCorp*	202,300	1,175,869	CSP*	123,523	941,863
Titan Exploration*	324,100	1,762,294	JDA Software Group*	70,900	1,160,987
		<u>3,851,550</u>	Kronos*	62,700	3,762,000
		<u>7,009,850</u>	MSC.Software*	84,700	857,588
<b>Technology – 32.2%</b>			Mastech Corporation*	51,300	1,269,675
<b>Aerospace/Defense - 1.8%</b>			New Horizons Worldwide*	68,900	818,187
Cubic	52,900	1,157,187	SPSS*	24,800	626,200
Woodward Governor	30,448	837,320	Tyler Technologies*	200,400	1,102,200
		<u>1,994,507</u>			<u>11,454,238</u>
<b>Components and Systems - 10.8%</b>			<b>Telecommunication - 2.5%</b>		
CEM*	67,600	726,700	InterVoice-Brite*	50,000	1,162,500
Coherent*	46,300	1,238,525	Quanta Services*	5,000	141,250
Ezenia!*	116,100	921,544	REMEC*	59,200	1,509,600
HMT Technology*	154,000	616,000			<u>2,813,350</u>
Indigo*	10,000	31,875			<u>36,390,756</u>
MOCON	162,975	977,850	<b>Miscellaneous – 4.5%</b>		<u>4,997,665</u>
Newport	21,900	1,001,925			
PCD*	84,500	570,375	<b>TOTAL COMMON STOCKS</b>		
Penn Engineering & Manufacturing	29,300	677,562	(Cost \$88,873,670)		<u>105,920,833</u>
Perceptron*	65,000	260,000	<b>REPURCHASE AGREEMENT – 4.1%</b>		
Performance Technologies*	54,250	942,594	State Street Bank & Trust Company,		
Rainbow Technologies*	103,450	2,405,212	2.50% dated 12/31/99, due 1/3/00,		
SBS Technologies*	19,700	719,050	maturity value \$4,690,977		
Spectra-Physics Lasers*	32,500	910,000	(collateralized by U.S. Treasury Bonds,		
TransAct Technologies*	33,500	253,344	7.25% – 8.50% due 5/15/16 – 2/15/20,		
		<u>12,252,556</u>	valued at \$4,787,550)		
<b>Distribution - 4.9%</b>			(Cost \$4,690,000)		<u>4,690,000</u>
Jaco Electronics*	101,800	528,087	<b>TOTAL INVESTMENTS – 97.9%</b>		
Kent Electronics*	18,800	427,700	(Cost \$93,563,670)		110,610,833
Pioneer-Standard Electronics	151,100	2,181,506	<b>CASH AND OTHER ASSETS</b>		
Richardson Electronics	317,000	2,377,500	<b>LESS LIABILITIES – 2.1%</b>		<u>2,358,565</u>
		<u>5,514,793</u>	<b>NET ASSETS – 100.0%</b>		<u>\$112,969,398</u>

	SHARES	VALUE
<b>Consumer Products – 9.4%</b>		
<b>Apparel and Shoes - 2.9%</b>		
Garan	89,500	\$ 2,561,938
K-Swiss Cl. A	93,100	1,729,623
** North Face (The)*	461,500	1,874,844
Oshkosh B’Gosh Cl. A	130,100	2,740,231
Weyco Group	196,600	5,050,162
Wolverine World Wide	46,700	510,781
		<u>14,467,579</u>
<b>Collectibles - 0.5%</b>		
** Department 56*	56,700	1,282,838
Enesco Group	106,400	1,177,050
		<u>2,459,888</u>
<b>Food/Beverage/Tobacco - 0.1%</b>		
** 800 JR Cigar*	78,000	677,625
<b>Home Furnishing/Appliances - 1.4%</b>		
Bassett Furniture Industries	173,575	2,777,200
Burnham Corporation Cl. A	51,526	1,829,173
Conso International*	41,700	359,662
Lifetime Hoan	368,199	1,933,045
		<u>6,899,080</u>
<b>Publishing - 0.5%</b>		
** Marvel Enterprises*	419,600	2,307,800
<b>Sports and Recreation - 1.5%</b>		
Johnson Worldwide Associates Cl. A*	193,970	1,375,975
Lund International Holdings*	217,800	1,279,575
** Oakley*	371,700	2,067,581
Sturm, Ruger & Co.	325,000	2,884,375
		<u>7,607,506</u>
<b>Other Consumer Products - 2.5%</b>		
Koala Corporation*	33,000	462,000
Lazare Kaplan International*	136,500	1,109,063
** Matthews International Cl. A	138,200	3,800,500
Velcro Industries	601,500	7,255,594
		<u>12,627,157</u>
		<u>47,046,635</u>
<b>Consumer Services – 3.7%</b>		
<b>Restaurants/Lodgings - 0.8%</b>		
Buffets*	404,400	4,044,000
<b>Retail Stores - 2.9%</b>		
Charming Shoppes*	869,600	5,761,100

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## SCHEDULES OF INVESTMENTS

### PENNSYLVANIA MUTUAL FUND (continued)

	SHARES	VALUE		SHARES	VALUE
<b>Health – 3.0%</b>			<b>Textiles - 0.5%</b>		
<b>Commercial Services - 0.9%</b>			Fab Industries	189,232	\$ 2,046,071
PAREXEL International*	223,500	\$ 2,640,094	Unifi*	46,300	570,069
** Young Innovations*	129,000	1,894,688			<u>2,616,140</u>
		<u>4,534,782</u>	<b>Other Industrial Products - 0.8%</b>		
<b>Drugs and Biotech - 0.8%</b>			BHA Group Holdings	189,857	1,495,124
BioReliance*	92,800	530,700	Myers Industries	148,645	2,341,159
Chiron*	81,400	3,449,325			<u>3,836,283</u>
		<u>3,980,025</u>			<u>83,336,366</u>
<b>Surgical Products and Devices - 1.3%</b>			<b>Industrial Services – 16.2%</b>		
Haemonetics*	273,400	6,510,337	<b>Advertising/Publishing - 1.2%</b>		
		<u>15,025,144</u>	Grey Advertising	8,031	3,212,400
<b>Industrial Products – 16.7%</b>			True North Communications	63,300	2,828,719
<b>Building Systems and Components - 6.0%</b>					<u>6,041,119</u>
Falcon Products	310,500	2,678,063	<b>Commercial Services - 3.5%</b>		
International Aluminum	131,700	3,094,950	ABM Industries	96,600	1,968,225
Kimball International Cl. B	178,000	2,937,000	CDI*	57,900	1,396,837
Liberty Homes Cl. A	93,350	764,303	** Carlisle Holdings*	310,500	3,726,000
Liberty Homes Cl. B	21,950	174,228	Cornell Corrections*	102,700	860,113
Preformed Line Products Company	189,786	3,131,469	Interim Services*	222,600	5,509,350
Simpson Manufacturing*	179,900	7,870,625	Modis Professional Services*	282,300	4,022,775
Skyline	156,800	3,684,800			<u>17,483,300</u>
Thor Industries	183,100	5,573,106	<b>Engineering and Construction - 2.4%</b>		
		<u>29,908,544</u>	Danaher	16,073	775,522
<b>Construction Materials - 3.3%</b>			Morrison Knudsen*	462,500	3,613,281
Ash Grove Cement Company	50,018	5,001,800	Sevenson Environmental Services	234,400	2,256,100
Ash Grove Cement Company Cl. B	5,000	500,000	Stone & Webster	171,100	2,876,619
Florida Rock Industries	189,900	6,539,681	Willbros Group*	481,950	2,229,019
Puerto Rican Cement	135,600	4,610,400			<u>11,750,541</u>
		<u>16,651,881</u>	<b>Food/Tobacco Processors - 1.5%</b>		
<b>Industrial Components - 0.3%</b>			Farmer Bros.	18,475	2,937,525
Woodhead Industries	104,650	1,216,556	Midwest Grain Products*	369,950	2,728,381
<b>Machinery - 1.5%</b>			Standard Commercial	545,521	1,943,419
Lincoln Electric Holdings	257,380	5,308,463			<u>7,609,325</u>
Nordson	48,900	2,359,425	<b>Industrial Distribution - 0.2%</b>		
		<u>7,667,888</u>	Ritchie Bros. Auctioneers*	42,100	1,168,275
<b>Paper and Packaging - 1.2%</b>			<b>Printing - 2.3%</b>		
CLARCOR	58,175	1,047,150	Bowne & Co.	183,300	2,474,550
Liqui-Box	60,800	3,009,600	Ennis Business Forms	346,100	2,682,275
PalEx*	286,300	2,004,100	New England Business Service	129,900	3,174,431
		<u>6,060,850</u>	Standard Register (The)	155,210	3,007,194
<b>Pumps, Valves and Bearings - 0.9%</b>					<u>11,338,450</u>
Kaydon Corporation	172,300	4,619,794	<b>Transportation and Logistics - 5.1%</b>		
<b>Specialty Chemicals and Materials - 2.2%</b>			Air Express International	178,330	5,762,288
CFC International*	149,200	979,125	AirNet Systems*	108,200	770,925
Chemfab*	74,300	1,160,938	Arnold Industries	445,048	6,258,488
Lilly Industries Cl. A	377,861	5,077,507	Circle International Group	298,874	6,649,947
MacDermid	86,231	3,540,860	Fritz Companies*	59,000	619,500
		<u>10,758,430</u>	Frozen Food Express Industries	418,867	1,623,110
			Kenan Transport	76,300	2,417,756

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Services (continued)</b>			<b>Distribution - 1.7%</b>		
<b>Transportation and Logistics (continued)</b>			Arrow Electronics*	40,500	\$ 1,027,687
Pittston BAX Group	126,300	\$ 1,341,937	Avnet	91,374	5,528,127
		<u>25,443,951</u>	Richardson Electronics	270,262	<u>2,026,965</u>
		<u>80,834,961</u>			<u>8,582,779</u>
<b>Natural Resources – 7.0%</b>			<b>Semiconductors and Equipment - 3.4%</b>		
<b>Energy Services - 2.3%</b>			ADE*	50,000	825,000
** Carbo Ceramics	164,000	3,587,500	Credence Systems*	15,400	1,332,100
Global Industries*	109,400	943,575	Dallas Semiconductor	28,400	1,830,025
Helmerich & Payne	136,700	2,981,769	Electroglass*	171,100	4,341,663
Input/Output*	337,800	1,710,112	** Exar*	68,800	4,050,600
Nabors Industries*	27,600	853,875	Helix Technology	48,000	2,151,000
Tidewater	32,000	<u>1,152,000</u>	Kulicic & Soffa Industries*	39,600	1,685,475
		<u>11,228,831</u>	PRI Automation*	10,000	<u>671,250</u>
					<u>16,887,113</u>
<b>Oil and Gas - 4.1%</b>			<b>Software/Services - 4.1%</b>		
Barrett Resources*	156,200	4,598,138	Cognex*	101,200	3,946,800
Tom Brown*	325,600	4,354,900	Comdisco	78,800	2,935,300
Denbury Resources*	1,254,272	5,409,048	Harbinger*	41,300	1,313,856
Devon Energy	107,300	3,527,487	JDA Software Group*	183,800	3,009,725
PetroCorp*	99,700	579,506	Kronos*	21,900	1,314,000
Titan Exploration*	404,400	<u>2,198,925</u>	MSC.Software*	144,500	1,463,062
		<u>20,668,004</u>	National Computer Systems	166,106	6,249,738
			** Syntel*	25,600	<u>414,400</u>
<b>Real Estate - 0.6%</b>					<u>20,646,881</u>
Consolidated-Tomoka Land	39,800	507,450	<b>Telecommunication - 0.6%</b>		
FRP Properties*	102,500	<u>2,408,750</u>	** Plantronics*	26,900	1,925,031
		<u>2,916,200</u>	REMEC*	37,800	<u>963,900</u>
		<u>34,813,035</u>			<u>2,888,931</u>
					<u>83,868,420</u>
<b>Technology – 16.7%</b>			<b>Miscellaneous – 4.5%</b>		<u>22,623,682</u>
<b>Aerospace/Defense - 2.1%</b>			<b>TOTAL COMMON STOCKS</b>		
Curtiss-Wright	185,400	6,836,625	(Cost \$331,886,490)		<u>485,857,312</u>
Woodward Governor	145,772	<u>4,008,730</u>			
		<u>10,845,355</u>	<b>REPURCHASE AGREEMENT – 3.1%</b>		
<b>Components and Systems - 4.8%</b>			State Street Bank & Trust Company,		
CEM*	49,000	526,750	2.50% dated 12/31/99, due 1/3/00, maturity		
Coherent*	149,500	3,999,125	value \$15,230,172 (collateralized by U.S.		
Dionex*	132,276	5,448,118	Treasury Bonds, 7.25% – 8.50% due		
Ezenia!*	98,100	778,669	5/15/16 – 2/15/20, valued at \$15,539,700)		
MOCON	73,400	440,400	(Cost \$15,227,000)		<u>15,227,000</u>
National Instruments*	80,250	3,069,562			
** Newport	44,700	2,045,025	<b>TOTAL INVESTMENTS – 100.2%</b>		
PCD*	91,100	614,925	(Cost \$347,113,490)		501,084,312
Penn Engineering &			<b>LIABILITIES LESS CASH</b>		
Manufacturing	210,750	4,873,594	<b>AND OTHER ASSETS – (0.2)%</b>		<u>(768,640)</u>
Penn Engineering &					
Manufacturing Cl. A	47,050	993,931	<b>NET ASSETS – 100.0%</b>		<u>\$500,315,672</u>
Perceptron*	215,800	863,200			
Scitex*	25,000	<u>364,062</u>			
		<u>24,017,361</u>			

## SCHEDULES OF INVESTMENTS

### ROYCE SELECT FUND

#### COMMON STOCKS – 98.3%

	SHARES	VALUE
<b>Consumer Products – 6.2%</b>		
Apparel and Shoes - 2.9%		
North Face (The)*	70,500	\$ 286,406
Food/Beverage/Tobacco - 2.0%		
800 JR Cigar*	22,600	196,338
Other Consumer Products - 1.3%		
Lazare Kaplan International*	9,000	73,125
Velcro Industries	4,300	51,869
		124,994
		607,738
<b>Consumer Services – 2.9%</b>		
Restaurants/Lodgings - 1.3%		
Buffets*	13,300	133,000
Retail Stores - 1.6%		
Claire's Stores	7,000	156,625
		289,625
<b>Financial Intermediaries – 16.0%</b>		
Insurance - 16.0%		
Erie Indemnity Company Cl. A	3,800	123,025
Frontier Insurance Group	52,000	178,750
LaSalle Re Holdings	19,900	328,350
Medical Assurance*	14,750	312,516
PMA Capital Cl. A	16,400	325,950
Zenith National Insurance	15,000	309,375
		1,577,966
<b>Financial Services – 2.7%</b>		
Information and Processing - 2.7%		
Fair, Isaac and Co.	5,000	265,000
<b>Health – 6.5%</b>		
Commercial Services - 4.5%		
Schein (Henry)*	33,500	445,969
Surgical Products and Devices - 2.0%		
Haemonetics*	8,000	190,500
		636,469
<b>Industrial Products – 9.2%</b>		
Construction Materials - 1.9%		
Florida Rock Industries	5,500	189,406
Machinery - 3.4%		
Lincoln Electric Holdings	13,700	282,562
Nordson	1,000	48,250
		330,812
Paper and Packaging - 1.4%		
Peak International*	14,000	143,500
Specialty Chemicals and Materials - 1.3%		
Arch Chemicals	6,000	125,625

	SHARES	VALUE
<b>Other Industrial Products - 1.2%</b>		
BHA Group Holdings	15,600	\$ 122,850
		912,193
<b>Industrial Services – 21.9%</b>		
Commercial Services - 5.5%		
CDI*	8,100	195,412
Interim Services*	14,200	351,450
		546,862
Engineering and Construction - 5.9%		
Morrison Knudsen*	17,600	137,500
Stone & Webster	17,000	285,812
Willbros Group*	33,300	154,013
		577,325
Transportation and Logistics - 10.5%		
Air Express International	5,000	161,562
AirNet Systems*	23,000	163,875
Aramex International*	20,800	191,100
Circle International Group	8,000	178,000
Pittston BAX Group	32,000	340,000
		1,034,537
		2,158,724
<b>Natural Resources – 14.4%</b>		
Energy Services - 5.1%		
Carbo Ceramics	8,200	179,375
Global Industries*	11,400	98,325
Input/Output*	45,000	227,813
		505,513
Oil and Gas - 9.3%		
Tom Brown*	20,000	267,500
Denbury Resources*	44,000	189,750
Titan Exploration*	85,000	462,187
		919,437
		1,424,950
<b>Technology – 18.5%</b>		
Aerospace/Defense - 2.6%		
Curtiss-Wright	6,800	250,750
Components and Systems - 1.6%		
National Instruments*	4,050	154,913
Distribution - 9.8%		
Arrow Electronics*	7,000	177,625
Avnet	4,400	266,200
Pioneer-Standard Electronics	20,000	288,750
Richardson Electronics	31,000	232,500
		965,075
Semiconductors and Equipment - 2.2%		
Align-Rite International*	10,000	219,375
Telecommunication - 2.3%		
REMEC*	9,000	229,500
		1,819,613

	VALUE
TOTAL COMMON STOCKS	
(Cost \$8,146,358)	<u>\$ 9,692,278</u>
TOTAL INVESTMENTS – 98.3%	
(Cost \$8,146,358)	9,692,278
CASH AND OTHER ASSETS	
LESS LIABILITIES – 1.7%	<u>165,419</u>
NET ASSETS – 100.0%	<u>\$ 9,857,697</u>

## ROYCE TRUST &amp; GIFTSHARES FUND

COMMON STOCKS – 85.6%	SHARES	VALUE
Consumer Products – 8.1%		
Apparel and Shoes – 0.9%		
North Face (The)*	41,000	<u>\$ 166,562</u>
Food/Beverage/Tobacco – 1.5%		
800 JR Cigar*	33,500	<u>291,031</u>
Publishing – 1.9%		
Marvel Enterprises*	65,000	<u>357,500</u>
Sports and Recreation – 1.8%		
Oakley*	60,000	<u>333,750</u>
Other Consumer Products – 2.0%		
Lazare Kaplan International*	22,800	185,250
Velcro Industries	17,000	<u>205,062</u>
		<u>390,312</u>
		<u>1,539,155</u>
Financial Intermediaries – 8.4%		
Insurance – 8.4%		
Frontier Insurance Group	78,300	269,156
LaSalle Re Holdings	23,200	382,800
Medical Assurance*	24,618	521,594
Zenith National Insurance	20,000	<u>412,500</u>
		<u>1,586,050</u>
Health – 6.9%		
Commercial Services – 2.8%		
Schein (Henry)*	40,000	<u>532,500</u>
Surgical Products and Devices – 4.1%		
Arrow International	12,500	362,500
Haemonetics*	17,600	<u>419,100</u>
		<u>781,600</u>
		<u>1,314,100</u>
Industrial Products – 5.5%		
Machinery – 2.3%		
Lincoln Electric Holdings	20,900	<u>431,063</u>
Paper and Packaging – 1.6%		
Peak International*	29,000	<u>297,250</u>
Specialty Chemicals and Materials – 0.9%		
Synalloy	22,000	<u>165,000</u>
Other Industrial Products – 0.7%		
BHA Group Holdings	17,443	<u>137,364</u>
		<u>1,030,677</u>
Industrial Services – 18.6%		
Commercial Services – 8.5%		
Interim Services*	22,900	566,775
Manpower	4,700	176,837
Olsten	34,000	384,625
RCM Technologies*	28,000	<u>483,000</u>
		<u>1,611,237</u>

## SCHEDULES OF INVESTMENTS

### ROYCE TRUST & GIFTSHARES FUND (continued)

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Services (continued)</b>			<b>Distribution - 9.6%</b>		
<b>Engineering and Construction - 5.0%</b>			Arrow Electronics*	9,000	\$ 228,375
Morrison Knudsen*	17,600	\$ 137,500	Avnet	7,500	453,750
Stone & Webster	47,800	803,638	Kent Electronics*	9,700	220,675
		<u>941,138</u>	Pioneer-Standard Electronics	30,000	433,125
<b>Transportation and Logistics - 5.1%</b>			Richardson Electronics	63,300	474,750
AirNet Systems*	45,000	320,625			<u>1,810,675</u>
Circle International Group	6,500	144,625	<b>Semiconductors and Equipment - 1.1%</b>		
Pittston BAX Group	48,000	510,000	ESS Technology*	9,000	199,688
		<u>975,250</u>	<b>Software/Services - 7.0%</b>		
		<u>3,527,625</u>	CIBER*	15,000	412,500
<b>Natural Resources – 14.8%</b>			JDA Software Group*	20,000	327,500
<b>Energy Services - 6.6%</b>			Kronos*	4,500	270,000
Carbo Ceramics	22,000	481,250	New Horizons Worldwide*	26,000	308,750
Global Industries*	30,000	258,750			<u>1,318,750</u>
Input/Output*	100,000	506,250	<b>Telecommunication - 2.5%</b>		
		<u>1,246,250</u>	REMEC*	18,900	481,950
<b>Gold - 0.8%</b>					<u>4,406,863</u>
Homestake Mining	20,000	156,250	<b>TOTAL COMMON STOCKS</b>		
<b>Oil and Gas - 7.4%</b>			(Cost \$13,276,256)		<u>16,211,132</u>
Barrett Resources*	4,300	126,581	<b>REPURCHASE AGREEMENT – 11.7%</b>		
Tom Brown*	12,500	167,187	State Street Bank & Trust Company,		
Denbury Resources*	70,000	301,875	2.50% dated 12/31/99, due		
Devon Energy	4,200	138,075	1/3/00, maturity value		
Titan Exploration*	123,300	670,444	\$2,223,463 (collateralized by U.S.		
		<u>1,404,162</u>	Treasury Bonds, 8.00% – 14.00%		
		<u>2,806,662</u>	due 11/15/11 – 11/15/21,		
<b>Technology – 23.3%</b>			valued at \$2,271,869)		
<b>Components and Systems - 3.1%</b>			(Cost \$2,223,000)		<u>2,223,000</u>
National Instruments*	8,400	321,300	<b>TOTAL INVESTMENTS – 97.3%</b>		
Newport	6,000	274,500	(Cost \$15,499,256)		18,434,132
		<u>595,800</u>	<b>CASH AND OTHER ASSETS</b>		
			<b>LESS LIABILITIES – 2.7%</b>		<u>508,841</u>
			<b>NET ASSETS – 100%</b>		<u>\$ 18,942,973</u>

	SHARES	VALUE	
<b>Consumer Products – 6.6%</b>			
<b>Apparel and Shoes - 1.4%</b>			
Garan	49,600	\$ 1,419,800	
Oshkosh B’Gosh Cl. A	41,100	865,669	
Wolverine World Wide	115,000	1,257,812	
		<u>3,543,281</u>	
<b>Collectibles - 0.8%</b>			
Enesco Group	169,400	1,873,988	
<b>Home Furnishing/Appliances - 2.1%</b>			
Bassett Furniture Industries	166,700	2,667,200	
Flexsteel Industries	175,500	2,347,312	
Lifetime Hoan	43,570	228,743	
		<u>5,243,255</u>	
<b>Sports and Recreation - 1.0%</b>			
Sturm, Ruger & Co.	283,000	2,511,625	
<b>Other Consumer Products - 1.3%</b>			
Velcro Industries	222,000	2,677,875	
WD-40	18,400	407,100	
		<u>3,084,975</u>	
		<u>16,257,124</u>	
<b>Consumer Services – 0.9%</b>			
<b>Retail Stores - 0.9%</b>			
Claire’s Stores	48,000	1,074,000	
Mikasa	111,900	1,125,994	
		<u>2,199,994</u>	
<b>Financial Intermediaries – 15.5%</b>			
<b>Banking - 0.4%</b>			
Bank of the Ozarks	17,500	341,250	
Texas Regional Bancshares Cl. A	20,000	580,000	
		<u>921,250</u>	
<b>Insurance - 15.0%</b>			
Argonaut Group	112,200	2,229,975	
Berkley (W. R.)	88,000	1,837,000	
Capitol Transamerica	182,800	1,839,425	
Chicago Title	48,800	2,257,000	
Commerce Group	64,100	1,674,612	
Erie Indemnity Company Cl. A	79,000	2,557,625	
LandAmerica Financial Group	75,600	1,389,150	
LaSalle Re Holdings	34,900	575,850	
Mutual Risk Management	98,000	1,647,625	
NYMAGIC	134,300	1,771,081	
Nationwide Financial Services Cl. A	45,000	1,257,188	
Old Republic International	120,000	1,635,000	
PMA Capital Cl. A	152,580	3,032,527	
PXRE Group	171,424	2,228,512	
Trenwick Group	326,860	5,536,191	
White Mountains Insurance Group	18,500	2,229,250	
Zenith National Insurance	178,800	3,687,750	
		<u>37,385,761</u>	

## SCHEDULES OF INVESTMENTS

### ROYCE TOTAL RETURN FUND (continued)

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Products (continued)</b>			<b>Industrial Distribution - 1.0%</b>		
<b>Paper and Packaging - 0.4%</b>			Central Steel & Wire	3,898	\$ 2,377,780
Peak TRENDS Trust	128,400	\$ 1,107,450	<b>Printing - 1.0%</b>		
<b>Pumps, Valves and Bearings - 4.4%</b>			Ennis Business Forms	311,500	2,414,125
Franklin Electric	22,900	1,607,294	New England Business Service	10,000	244,375
Kaydon Corporation	30,000	804,375			<u>2,658,500</u>
NN Ball & Roller	549,900	3,986,775	<b>Transportation and Logistics - 4.7%</b>		
Roper Industries	56,500	2,136,406	Airborne Freight	52,500	1,155,000
Sun Hydraulics	304,550	1,979,575	Arnold Industries	202,800	2,851,875
Tech/Ops Sevcon	43,700	437,000	Circle International Group	126,400	2,812,400
		<u>10,951,425</u>	Frozen Food Express Industries*	456,635	1,769,461
<b>Specialty Chemicals and Materials - 4.8%</b>			Pittston BAX Group	288,800	3,068,500
Arch Chemicals	122,500	2,564,844			<u>11,657,236</u>
Brady (W.H.) Cl. A	78,700	2,670,881			<u>32,518,544</u>
Calgon Carbon	144,000	855,000	<b>Natural Resources - 7.7%</b>		
Lilly Industries Cl. A	100,000	1,343,750	<b>Energy Services - 3.0%</b>		
MacDermid	40,000	1,642,500	Carbo Ceramics	124,000	2,712,500
Regal-Beloit	30,000	618,750	Helmerich & Payne	121,100	2,641,494
Synalloy	295,000	2,212,500	Lufkin Industries	67,700	1,015,500
		<u>11,908,225</u>	Tidewater	29,000	1,044,000
<b>Textiles - 0.6%</b>					<u>7,413,494</u>
Fab Industries	130,100	1,406,706	<b>Gold - 1.5%</b>		
<b>Other Industrial Products - 2.5%</b>			Anglogold ADR+	143,600	3,688,725
BHA Group Holdings	222,829	1,754,778	<b>Oil and Gas - 1.4%</b>		
Baldor Electric	100,000	1,812,500	Devon Energy	65,100	2,140,162
Landauer	49,600	1,085,000	Titan Exploration*	231,100	1,256,606
Myers Industries	34,870	549,202			<u>3,396,768</u>
Tennant	30,000	982,500	<b>Real Estate - 1.8%</b>		
		<u>6,183,980</u>	Chelsea GCA Realty	98,500	2,930,375
		<u>62,635,886</u>	Redwood Trust	5,000	62,500
<b>Industrial Services - 13.1%</b>			Thornburg Mortgage Asset	115,000	948,750
<b>Advertising/Publishing - 1.0%</b>			Vornado Realty Trust	20,000	650,000
True North Communications	56,000	2,502,500			<u>4,591,625</u>
<b>Commercial Services - 3.4%</b>					<u>19,090,612</u>
ABM Industries	134,800	2,746,550	<b>Technology - 6.6%</b>		
Angelica	86,700	845,325	<b>Aerospace/Defense - 2.5%</b>		
Hardinge	136,400	1,781,725	Curtiss-Wright	76,800	2,832,000
Manpower	18,400	692,300	Woodward Governor	120,100	3,302,750
Shared Medical Systems	18,000	916,875			<u>6,134,750</u>
Superior Uniform Group	164,200	1,477,800	<b>Components and Systems - 0.8%</b>		
		<u>8,460,575</u>	Innovex	30,000	281,250
<b>Engineering and Construction - 0.4%</b>			Penn Engineering & Manufacturing Cl. A	78,600	1,660,425
Sevenson Environmental Services	96,960	933,240			<u>1,941,675</u>
<b>Food/Tobacco Processors - 1.6%</b>			<b>Distribution - 2.0%</b>		
DIMON	612,200	1,989,650	Avnet	63,200	3,823,600
Universal	85,000	1,939,063	Richardson Electronics	164,400	1,233,000
		<u>3,928,713</u>			<u>5,056,600</u>

	SHARES	VALUE		PRINCIPAL AMOUNT	VALUE
<b>Technology (continued)</b>			<b>CORPORATE BONDS – 5.8%</b>		
<b>Software/Services - 0.7%</b>			Charming Shoppes 7.50%		
Comdisco	50,100	\$ 1,866,225	Conv. Sub. Note due 7/15/06	\$5,250,000	\$ 5,355,000
<b>Telecommunication - 0.6%</b>			Credence Systems 5.25%		
Communications Systems	89,000	1,157,000	Conv. Sub. Note due 9/15/02	1,000,000	1,362,500
FirstWorld Communications			Cymer 3.50%		
(Warrants)*	3,500	350,000	Conv. Sub. Note due 8/06/04	1,000,000	1,107,500
		<u>1,507,000</u>	FirstWorld Communications 0%		
		<u>16,506,250</u>			
<b>Utilities – 0.5%</b>					
EnergySouth	11,950	247,963			
NUI	35,000	923,125			
		<u>1,171,088</u>			
<b>Miscellaneous – 4.8%</b>		<u>11,898,870</u>			
<b>TOTAL COMMON STOCKS</b>					
(Cost \$233,550,936)		<u>222,095,841</u>			
<b>PREFERRED STOCKS – 1.3%</b>					
Fleetwood Capital Trust 6.00% Conv.	50,000	1,625,000			
Frontier Financing Trust 6.25% Conv.	50,000	850,000			
Vornado Realty Trust 6.50% Conv.	15,000	<u>699,375</u>			
<b>TOTAL PREFERRED STOCKS</b>					
(Cost \$3,766,406)		<u>3,174,375</u>			

## SCHEDULES OF INVESTMENTS

### ROYCE LOW-PRICED STOCK FUND

#### COMMON STOCKS – 92.0%

	SHARES	VALUE
<b>Consumer Products – 7.8%</b>		
<b>Collectibles – 2.0%</b>		
Enesco Group	45,000	\$ 497,813
<b>Food/Beverage/Tobacco – 1.5%</b>		
800 JR Cigar*	42,900	372,694
<b>Publishing – 2.5%</b>		
Gibson Greetings*	48,300	433,191
Topps Company (The)*	16,800	174,300
		<u>607,491</u>
<b>Sports and Recreation – 1.8%</b>		
Oakley*	80,000	445,000
		<u>1,922,998</u>
<b>Consumer Services – 7.6%</b>		
<b>Restaurants/Lodgings – 1.7%</b>		
Buffets*	40,400	404,000
<b>Retail Stores – 5.9%</b>		
Charming Shoppes*	119,600	792,350
Claire's Stores	15,000	335,625
Finish Line (The) Cl. A*	60,500	328,969
		<u>1,456,944</u>
		<u>1,860,944</u>
<b>Financial Intermediaries – 2.5%</b>		
<b>Insurance – 2.5%</b>		
HCC Insurance Holdings	20,000	263,750
Trenwick Group	20,000	338,750
		<u>602,500</u>
<b>Financial Services – 2.1%</b>		
<b>Investment Management – 2.1%</b>		
Phoenix Investment Partners	17,900	145,437
Pioneer Group (The)*	23,700	373,275
		<u>518,712</u>
<b>Health – 10.3%</b>		
<b>Commercial Services – 5.8%</b>		
Analysts International	27,500	343,750
PAREXEL International*	50,000	590,625
Schein (Henry)*	20,000	266,250
Young Innovations*	15,000	220,312
		<u>1,420,937</u>
<b>Drugs and Biotech – 4.5%</b>		
Aurora Biosciences*	20,000	530,000
Dura Pharmaceuticals*	20,000	278,750
Liposome Company (The)*	25,000	305,078
		<u>1,113,828</u>
		<u>2,534,765</u>

#### Industrial Products – 1.8%

<b>Textiles – 1.8%</b>		
Unifi*	34,900	\$ 429,706

#### Industrial Services – 20.8%

<b>Commercial Services – 7.2%</b>		
Applied Analytical Industries*	40,000	365,000
Carlisle Holdings*	20,000	240,000
Cornell Corrections*	35,000	293,125
Interim Services*	20,000	495,000
RemedyTemp Cl. A*	20,000	380,000
		<u>1,773,125</u>

#### Engineering and Construction – 7.6%

McDermott International	25,000	226,563
Morrison Knudsen*	77,300	603,906
Sevenson Environmental Services	63,660	612,727
Stone & Webster	25,000	420,313
		<u>1,863,509</u>

#### Printing – 1.9%

Bowne & Co.	20,000	270,000
Ennis Business Forms	25,000	193,750
		<u>463,750</u>

#### Transportation and Logistics – 4.1%

AirNet Systems*	52,900	376,912
Arnold Industries	26,200	368,438
Knight Transportation*	15,000	256,875
		<u>1,002,225</u>
		<u>5,102,609</u>

#### Natural Resources – 13.8%

<b>Energy Services – 3.5%</b>		
Global Industries*	45,000	388,125
Input/Output*	95,000	480,937
		<u>869,062</u>

#### Gold – 1.6%

Homestake Mining	50,000	390,625
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#### Oil and Gas – 8.7%

Tom Brown*	33,000	441,375
Denbury Resources*	125,000	539,063
IRI International*	60,000	240,000
Renaissance Energy*	30,000	301,351
Titan Exploration*	112,300	610,631
		<u>2,132,420</u>
		<u>3,392,107</u>

#### Technology – 20.7%

<b>Distribution – 2.6%</b>		
Richardson Electronics	85,700	642,750

	SHARES	VALUE
<b>Technology (continued)</b>		
<b>Semiconductors and Equipment - 2.4%</b>		
ESS Technology*	15,000	\$ 332,812
Silicon Valley Group*	15,000	<u>266,250</u>
		<u>599,062</u>
<b>Software/Services - 10.5%</b>		
Aspen Technology*	5,000	132,188
CSP*	20,000	152,500
CIBER*	20,000	550,000
Comdisco	9,900	368,775
Informix*	20,000	228,750
JDA Software Group*	30,100	492,887
Syntel*	30,000	485,625
Tyler Technologies*	30,000	<u>165,000</u>
		<u>2,575,725</u>
<b>Telecommunication - 5.2%</b>		
Globecomm Systems*	15,000	378,750
REMEC*	15,400	392,700
West Teleservices*	20,400	<u>498,525</u>
		<u>1,269,975</u>
		<u>5,087,512</u>
<b>Miscellaneous – 4.6%</b>		<u>1,122,275</u>
<b>TOTAL COMMON STOCKS</b>		
(Cost \$19,606,242)		<u>22,574,128</u>
<b>REPURCHASE AGREEMENT – 6.3%</b>		
State Street Bank & Trust Company, 2.50% dated 12/31/99, due 1/3/00, maturity value \$1,553,324 (collateralized by U.S. Treasury Bonds, 8.50% – 14.00% due 11/15/11 – 2/15/20, valued at \$1,589,944) (Cost \$1,553,000)		<u>1,553,000</u>
<b>TOTAL INVESTMENTS – 98.3%</b>		
(Cost \$21,159,242)		24,127,128
<b>CASH AND OTHER ASSETS</b>		
<b>LESS LIABILITIES – 1.7%</b>		<u>403,160</u>
<b>NET ASSETS – 100.0%</b>		<u>\$ 24,530,288</u>

## ROYCE OPPORTUNITY FUND

	SHARES	VALUE
<b>COMMON STOCKS – 96.6%</b>		
<b>Consumer Products – 4.7%</b>		
<b>Apparel and Shoes - 1.7%</b>		
Burlington Industries*	66,400	\$ 265,600
Donna Karan International*	69,700	457,406
Warnaco Group (The)	25,000	<u>307,813</u>
		<u>1,030,819</u>
<b>Collectibles - 0.5%</b>		
Enesco Group	29,500	<u>326,344</u>
<b>Publishing - 1.2%</b>		
Houghton Mifflin	12,000	506,250
Topps Company (The)*	22,300	<u>231,362</u>
		<u>737,612</u>
<b>Other Consumer Products - 1.3%</b>		
Cross (A. T.) & Company Cl. A*	54,800	246,600
Jostens	5,000	121,562
Velcro Industries	34,200	<u>412,538</u>
		<u>780,700</u>
		<u>2,875,475</u>
<b>Consumer Services – 5.9%</b>		
<b>Direct Marketing - 0.5%</b>		
Spiegel Cl. A*	43,200	<u>303,750</u>
<b>Leisure/Entertainment - 1.1%</b>		
AMC Entertainment*	43,000	370,875
Metro-Goldwyn-Mayer*	12,000	<u>282,750</u>
		<u>653,625</u>
<b>Restaurants/Lodgings - 0.5%</b>		
Cooker Restaurant	58,200	167,325
Piccadilly Cafeterias	35,500	<u>142,000</u>
		<u>309,325</u>
<b>Retail Stores - 3.8%</b>		
Bombay Company (The)*	67,500	303,750
Burlington Coat Factory Warehouse	23,000	319,125
Elder-Beerman Stores*	41,500	212,688
Fred's	31,800	506,812
Good Guys (The)*	58,000	540,125
Noodle Kidoodle*	51,800	246,050
Phar-Mor*	68,000	<u>187,000</u>
		<u>2,315,550</u>
		<u>3,582,250</u>

## SCHEDULES OF INVESTMENTS

### ROYCE OPPORTUNITY FUND (continued)

	SHARES	VALUE		SHARES	VALUE
<b>Financial Intermediaries – 2.0%</b>			<b>Machinery – 7.7%</b>		
<b>Banking – 0.9%</b>			Atchison Casting*	41,500	\$ 378,688
East West Bancorp	47,000	\$ 537,562	CMI Cl. A	63,000	444,938
<b>Insurance – 1.1%</b>			Chart Industries	74,900	299,600
Berkley (W. R.)	16,000	334,000	Commercial Intertech	38,200	487,050
PXRE Group	25,000	325,000	ESCO Electronics*	36,000	418,500
		659,000	GSI Lumonics*	50,100	438,375
		<u>1,196,562</u>	Hurco Companies*	56,300	197,050
<b>Health – 2.4%</b>			Lincoln Electric Holdings	20,000	412,500
<b>Drugs and Biotech – 0.6%</b>			MTS Systems	35,900	278,225
QuadraMed*	40,500	353,109	Osmonics*	43,000	395,062
<b>Consumer Health Services – 0.2%</b>			Precision Castparts	21,200	556,500
Balanced Care*	87,300	114,581	UNOVA*	28,000	364,000
<b>Personal Care – 0.9%</b>					<u>4,670,488</u>
Herbalife International Cl. A	20,000	287,500	<b>Paper and Packaging – 2.2%</b>		
Weider Nutrition International	75,000	276,562	Applied Extrusion Technologies*	65,300	399,963
		<u>564,062</u>	Longview Fibre	29,600	421,800
<b>Surgical Products and Devices – 0.7%</b>			Peak International*	49,100	503,275
Varian Medical Systems*	15,200	453,150			<u>1,325,038</u>
		<u>1,484,902</u>	<b>Pumps, Valves and Bearings – 0.5%</b>		
<b>Industrial Products – 28.6%</b>			NN Ball & Roller	42,000	304,500
<b>Building Systems and Components – 1.7%</b>			<b>Specialty Chemicals and Materials – 5.9%</b>		
Aztec Manufacturing	29,900	366,275	Albany International Cl. A*	29,826	462,303
Pameco Corporation*	58,600	238,063	Arch Chemicals	29,500	617,656
The Shaw Group*	15,500	392,344	Calgon Carbon	25,000	148,437
		<u>996,682</u>	Carpenter Technology	14,900	408,819
<b>Construction Materials – 1.7%</b>			Deswell Industries	30,500	472,750
Foster (L.B.) Cl. A*	55,700	271,537	Lydall*	48,300	319,987
Huttig Building Products*	89,100	439,931	NL Industries	13,200	198,825
Lamson & Sessions*	32,800	159,900	Rogers*	14,000	535,500
Northwest Pipe*	12,000	168,000	Sheldahl*	51,100	220,369
		<u>1,039,368</u>	Sybron Chemicals*	17,600	206,800
<b>Industrial Components – 4.5%</b>					<u>3,591,446</u>
ACX Technologies*	30,000	320,625	<b>Textiles – 0.2%</b>		
Cable Design Technologies*	27,500	632,500	Cone Mills*	28,200	126,900
DT Industries	59,000	464,625	<b>Other Industrial Products – 3.5%</b>		
Flowserve	30,500	518,500	FLIR Systems*	30,000	487,500
Gundle/SLT Environmental*	60,200	210,700	Fansteel*	52,300	202,663
LeCroy*	15,800	193,550	Griffon*	52,700	411,719
Woodhead Industries	29,000	337,125	Integral Vision*	39,300	83,512
		<u>2,677,625</u>	Kaman Corporation Cl. A	24,500	315,438
<b>Industrial OEM – 0.7%</b>			Maxwell Technologies*	16,600	166,000
Smith (A.O.)*	18,800	411,250	Stewart & Stevenson Services	36,000	426,375
					<u>2,093,207</u>
					<u>17,236,504</u>

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Services – 9.8%</b>			<b>Other Natural Resources - 0.5%</b>		
<b>Advertising/Publishing - 0.9%</b>			Cadiz*	33,000	\$ 313,500
True North Communications	12,000	\$ 536,250			<u>2,937,632</u>
<b>Commercial Services - 2.3%</b>			<b>Technology – 33.5%</b>		
AAR Corporation	16,400	294,175	<b>Aerospace/Defense - 2.5%</b>		
Alexander & Baldwin	12,500	285,156	Cubic	25,600	560,000
Ogden Corporation	36,300	433,331	DRS Technologies*	51,000	497,250
Volt Information Sciences*	16,000	<u>382,000</u>	Hawker Pacific Aerospace*	61,200	<u>443,700</u>
		<u>1,394,662</u>			<u>1,500,950</u>
<b>Engineering and Construction - 1.0%</b>			<b>Components and Systems - 8.7%</b>		
Modtech Holdings*	54,800	328,800	Auspex Systems*	40,400	414,100
Weston (Roy F.) Cl. A*	55,200	113,850	Boca Research*	41,800	276,925
Willbros Group*	36,600	<u>169,275</u>	Chyron*	97,200	145,800
		<u>611,925</u>	Ciprico*	18,700	216,219
<b>Food/Tobacco Processors - 0.3%</b>			Dot Hill Systems*	70,600	348,588
Midwest Grain Products*	25,000	<u>184,375</u>	Exabyte*	48,000	360,000
<b>Industrial Distribution - 0.9%</b>			HMT Technology*	25,000	100,000
Del Global Technologies*	36,000	279,000	Innovex	21,500	201,562
Lawson Products	10,000	<u>231,250</u>	Keithley Instruments	35,000	713,125
		<u>510,250</u>	Mentor Graphics*	15,000	197,813
<b>Printing - 0.8%</b>			Newport	5,000	228,750
Bowne & Co.	37,000	<u>499,500</u>	PSC*	57,900	427,012
<b>Transportation and Logistics - 3.6%</b>			Penn Engineering & Manufacturing	20,000	462,500
Arkansas Best*	23,900	286,800	Robotic Vision Systems*	70,100	648,425
Circle International Group	14,500	322,625	SBS Technologies*	14,000	<u>511,000</u>
Fritz Companies*	44,000	462,000			<u>5,251,819</u>
Genesee & Wyoming Cl. A*	30,000	386,250	<b>Distribution - 3.5%</b>		
Mesa Air Group*	60,000	285,000	Bell Industries	40,600	301,962
OMI Corporation*	61,500	126,844	Bell Microproducts*	65,000	715,000
Sea Containers Cl. A	11,000	<u>292,875</u>	Kent Electronics*	3,100	70,525
		<u>2,162,394</u>	Pioneer-Standard Electronics	25,000	360,938
		<u>5,899,356</u>	Richardson Electronics	34,700	260,250
<b>Natural Resources – 4.9%</b>			Ultrak*	55,900	<u>433,225</u>
<b>Energy Services - 0.6%</b>					<u>2,141,900</u>
Pride International*	25,000	<u>365,625</u>	<b>Semiconductors and Equipment - 7.0%</b>		
<b>Metals and Mining - 1.7%</b>			California Micro Devices*	44,600	524,050
Brush Wellman	25,000	420,313	Cirrus Logic*	31,000	412,687
Century Aluminum	16,700	250,500	ESS Technology*	25,100	556,906
Cleveland-Cliffs	10,000	<u>311,250</u>	FSI International*	37,500	431,250
		<u>982,063</u>	International Rectifier*	4,000	104,000
<b>Oil and Gas - 2.1%</b>			MEMC Electronic Materials*	30,000	367,500
Tom Brown*	14,100	188,587	Microsemi*	45,700	405,588
Forest Oil*	30,900	407,494	S3 Incorporated*	18,800	217,375
Patina Oil & Gas	48,900	421,763	Sigma Designs*	28,800	316,800
Santa Fe Snyder*	32,325	<u>258,600</u>	Silicon Valley Group*	25,800	457,950
		<u>1,276,444</u>	White Electronic Designs*	88,200	<u>418,950</u>
					<u>4,213,056</u>

## ROYCE OPPORTUNITY FUND (continued)

	SHARES	VALUE		VALUE
<b>Technology (continued)</b>			<b>Miscellaneous – 4.8%</b>	<b>\$ 2,893,895</b>
<b>Software/Services - 7.6%</b>				
Benchmark Electronics*	18,300	\$ 419,756	<b>TOTAL COMMON STOCKS</b>	
Carreker-Antinori*	44,000	398,750	(Cost \$51,716,375)	<u>58,358,794</u>
Computer Horizons*	27,600	446,775		
Epicor Software*	65,000	329,062	<b>CORPORATE BOND – 0.1%</b>	
Evans & Sutherland Computer*	35,000	400,313	System Software Associates	
MSC Software*	66,700	675,337	7.00% Conv. Sub. Note	
Merix*	40,000	440,000	due 9/15/02, principal	
Network Equipment			amount \$200,000	
Technologies*	36,500	431,156	(Cost \$91,500)	<u>60,750</u>
Phoenix Technologies*	33,500	529,719		
Planar Systems*	48,900	323,963	<b>REPURCHASE AGREEMENT – 2.2%</b>	
SCB Computer Technology*	70,900	<u>221,562</u>	State Street Bank & Trust Company,	
		<u>4,616,393</u>	2.50% dated 12/31/99, due	
<b>Telecommunication - 4.2%</b>			1/3/00, maturity value	
Allen Telecom*	44,100	509,906	\$1,326,276 (collateralized by U.S.	
Comtech Telecommunications*	15,000	221,250	Treasury Bonds, 7.25% – 14.00%	
General DataComm Industries*	48,300	319,988	due 11/15/11 – 5/15/16,	
Spectrian*	8,900	251,425	valued at \$1,362,569)	
Symmetricon*	47,500	472,031	(Cost \$1,326,000)	<u>1,326,000</u>
Watkins-Johnson	9,700	388,000		
Westell Technologies CL A*	34,000	<u>365,500</u>	<b>TOTAL INVESTMENTS – 98.9%</b>	
		<u>2,528,100</u>	(Cost \$53,133,875)	59,745,544
		<u>20,252,218</u>	<b>CASH AND OTHER ASSETS</b>	
			<b>LESS LIABILITIES – 1.1%</b>	<u>653,123</u>
			<b>NET ASSETS – 100.0%</b>	<b><u>\$ 60,398,667</u></b>

\* Non-income producing.

+ American Depositary Receipt.

++ At December 31, 1999, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as that term is defined in the Investment Company Act of 1940.

\*\* A portion of these securities were on loan at December 31, 1999. Total market value of all securities on loan at December 31, 1999 was \$8,578,789, for which the Fund had received \$8,820,524 as collateral.

\*\*\* Coupon rate of 0% to 4/2003; thereafter 13%.

	Royce Premier Fund	Royce Micro-Cap Fund	Pennsylvania Mutual Fund	Royce Select Fund	Royce Trust & GiftShares Fund	Royce Total Return Fund	Royce Low-Priced Stock Fund	Royce Opportunity Fund
<b>ASSETS:</b>								
Investments at value*	\$517,428,675	\$105,920,833	\$485,857,312	\$ 9,692,278	\$16,211,132	\$239,845,637	\$22,574,128	\$58,419,544
Repurchase agreements (at cost and value)	32,715,000	4,690,000	15,227,000	-	2,223,000	6,658,000	1,553,000	1,326,000
Cash	-	38	-	551,572	121	146	186	751
Collateral from brokers on securities loaned	-	-	8,820,524	-	-	-	-	-
Receivable for investments sold	18,860,480	2,554,729	411,500	364,038	748,009	1,199,811	73,350	705,841
Receivable for capital shares sold	907,027	63,256	35,422	-	279,200	1,032,247	356,500	596,101
Receivable for dividends and interest	480,310	35,326	682,105	5,810	6,965	848,463	16,963	32,517
Prepaid expenses and other assets	20,405	5,110	20,970	-	4,113	9,317	722	10,654
Total Assets	570,411,897	113,269,292	511,054,833	10,613,698	19,472,540	249,593,621	24,574,849	61,091,408
<b>LIABILITIES:</b>								
Payable for collateral on securities loaned	-	-	8,820,524	-	-	-	-	-
Payable for investments purchased	1,567,327	86,801	777,650	523,394	488,942	162,625	-	578,273
Payable for capital shares redeemed	324,490	25,927	407,642	-	-	639,070	322	26,592
Payable for investment advisory fees	466,885	104,629	343,203	232,607	11,707	201,176	19,001	46,859
Accrued expenses	219,612	82,537	390,142	-	28,918	142,783	25,238	41,017
Total Liabilities	2,578,314	299,894	10,739,161	756,001	529,567	1,145,654	44,561	692,741
Net Assets	\$567,833,583	\$112,969,398	\$500,315,672	\$ 9,857,697	\$18,942,973	\$248,447,967	\$24,530,288	\$60,398,667
<b>ANALYSIS OF NET ASSETS:</b>								
Undistributed net investment income	\$ 310,193	\$ -	\$ -	\$ -	\$ -	\$ 341,112	\$ -	\$ -
Accumulated net realized gain on investments	10,192,736	5,460,467	36,902,756	146,722	1,571,993	7,975,913	1,750,904	4,040,769
Net unrealized appreciation (depreciation)								
on investments	119,696,234	17,047,163	153,970,822	1,545,920	2,934,876	(12,188,012)	2,967,886	6,611,669
Capital shares	59,397	11,888	68,715	70	1,881	34,764	3,007	8,399
Additional paid-in capital	437,575,023	90,449,880	309,373,379	8,164,985	14,434,223	252,284,190	19,808,491	49,737,830
Net Assets	\$567,833,583	\$112,969,398	\$500,315,672	\$ 9,857,697	\$18,942,973	\$248,447,967	\$24,530,288	\$60,398,667
Investment Class	\$567,833,583	\$111,806,167	\$371,054,788	\$ 9,857,697	\$15,474,275	\$248,447,967	\$24,530,288	\$60,398,667
Consultant Class	\$ 1,163,231	\$ 1,163,231	\$129,260,884	\$ -	\$ 3,468,698	\$ -	\$ -	\$ -
<b>SHARES OUTSTANDING:</b>								
(unlimited number of \$.001 par value shares authorized for each Fund)								
Investment Class	59,397,055	11,764,615	50,966,500	69,893	1,531,383	34,764,337	3,006,952	8,399,082
Consultant Class		123,110	17,748,162		349,977			
<b>NET ASSET VALUES:</b>								
(Net Assets ÷ Shares Outstanding)								
Investment Class (1)	\$9.56	\$9.50	\$7.28	\$141.04	\$10.10	\$7.15	\$8.16	\$7.19
Consultant Class (2)		\$9.45	\$7.28		\$9.91			
* Investments at identified cost	\$ 397,732,441	\$ 88,873,670	\$ 331,886,490	\$ 8,146,358	\$ 13,276,256	\$ 252,033,722	\$ 19,606,242	\$ 51,807,875

(1) Offering and redemption price per share; shares redeemed within six months of purchase are subject to a 1% redemption fee, payable to the Fund (2% for Royce Select Fund within three years of purchase, N/A for Royce Trust & GiftShares Fund).

(2) Offering and redemption price per share; redemption price per share is equal to NAV, less applicable deferred sales charge.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# STATEMENTS OF CHANGES IN NET ASSETS

	Royce Premier Fund		Royce Micro-Cap Fund		Pennsylvania Mutual Fund		Royce Select Fund	
	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 1998	Period ended December 31, 1999	1998(a)
<b>INVESTMENT OPERATIONS:</b>								
Net investment income (loss)	\$ 623,449	\$ 3,026,370	\$ (918,186)	\$ (1,077,422)	\$ 1,730,855	\$ 2,847,051	\$ (198,784)	\$ 582
Net realized gain on investments	35,201,455	16,476,014	13,613,347	11,052,305	74,551,017	67,731,907	626,805	26,721
Net change in unrealized appreciation on investments	23,616,241	15,256,788	(1,349,281)	(17,036,282)	(49,966,971)	(43,310,982)	1,494,250	51,670
Net increase (decrease) in net assets from investment operations	59,441,145	34,759,172	11,345,880	(7,061,399)	26,314,901	27,267,976	1,922,271	78,973
<b>DISTRIBUTIONS:</b>								
Net investment income								
Investment Class	(559,042)	(3,095,427)	-	(72,742)	(2,134,230)	(2,894,969)	-	(601)
Consultant Class			-	(293)	-	-		
Net realized gain on investments								
Investment Class	(32,917,955)	(5,571,075)	(2,442,694)	(9,504,473)	(24,038,046)	(41,174,076)	(308,001)	-
Consultant Class			(14,421)	(44,548)	(7,297,352)	(12,374,251)		
Total distributions	(33,476,997)	(8,666,502)	(2,457,115)	(9,622,056)	(33,469,628)	(56,443,296)	(308,001)	(601)
<b>CAPITAL SHARE TRANSACTIONS:</b>								
Value of shares sold								
Investment Class	209,759,206	221,957,563	40,224,271	55,074,780	110,144,607	131,448,215	6,959,269	1,011,000
Consultant Class			876,925	925,930	8,441,698	4,633,372		
Distributions reinvested								
Investment Class	32,606,628	8,428,754	2,385,304	9,270,159	24,614,377	41,415,445	215,515	601
Consultant Class			13,976	39,659	6,960,350	11,840,244		
Value of shares redeemed								
Investment Class	(269,484,982)	(220,631,891)	(104,983,480)	(81,986,610)	(224,864,326)	(192,077,698)	(21,330)	-
Consultant Class			(607,065)	(106,404)	(24,725,094)	(20,768,837)		
Net increase (decrease) in net assets from capital share transactions	(27,119,148)	9,754,426	(62,090,069)	(16,782,486)	(99,428,388)	(23,509,259)	7,153,454	1,011,601
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>(1,155,000)</b>	<b>35,847,096</b>	<b>(53,201,304)</b>	<b>(33,465,941)</b>	<b>(106,583,115)</b>	<b>(52,684,579)</b>	<b>8,767,724</b>	<b>1,089,973</b>
<b>NET ASSETS:</b>								
Beginning of period	568,988,583	533,141,487	166,170,702	199,636,643	606,898,787	659,583,366	1,089,973	-
End of period	\$ 567,833,583	\$ 568,988,583	\$ 112,969,398	\$ 166,170,702	\$ 500,315,672	\$ 606,898,787	\$ 9,857,697	\$ 1,089,973
<b>UNDISTRIBUTED NET INVESTMENT INCOME</b>								
<b>AT END OF PERIOD</b>	<b>\$ 310,193</b>	<b>\$ 297,955</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,325</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CAPITAL SHARE TRANSACTIONS (IN SHARES):</b>								
Shares sold								
Investment Class	23,316,380	24,809,013	4,833,895	5,872,063	15,393,095	16,866,770	58,314	10,106
Consultant Class			106,795	96,259	1,161,060	579,570		
Shares issued for reinvestment of distributions								
Investment Class	3,643,201	963,284	266,252	1,138,769	3,506,321	5,899,787	1,625	6
Consultant Class			1,568	4,902	991,503	1,686,598		
Shares redeemed								
Investment Class	(29,796,842)	(24,840,814)	(12,677,352)	(8,912,344)	(31,484,752)	(24,138,522)	(158)	-
Consultant Class			(73,655)	(12,759)	(3,475,881)	(2,651,359)		
Net increase (decrease) in shares outstanding								
Investment Class	(2,837,261)	931,483	(7,577,205)	(1,901,512)	(12,585,336)	(1,371,965)	59,781	10,112
Consultant Class			34,708	88,402	(1,323,318)	(385,191)		

(a) Royce Select Fund commenced operations on November 18, 1998.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# STATEMENTS OF CHANGES IN NET ASSETS

	Royce Trust & GiftShares Fund		Royce Total Return Fund		Royce Low-Priced Stock Fund		Royce Opportunity Fund	
	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 1998	Year ended December 31, 1999	Year ended December 31, 1998
<b>INVESTMENT OPERATIONS:</b>								
Net investment income (loss)	\$ (95,958)	\$ (28,802)	\$ 5,841,476	\$ 4,629,697	\$ (96,152)	\$ (22,279)	\$ (28,090)	\$ (44,314)
Net realized gain on investments	3,337,654	585,011	9,427,902	15,482,353	3,043,498	1,031,027	8,130,158	1,597,782
Net change in unrealized appreciation (depreciation) on investments	1,906,238	730,213	(13,140,078)	(10,546,575)	2,355,583	(925,593)	4,869,512	(373,765)
Net increase in net assets from investment operations	5,147,934	1,286,422	2,129,300	9,565,475	5,302,929	83,155	12,971,580	1,179,703
<b>DISTRIBUTIONS:</b>								
Net investment income	-	-	(5,500,364)	(4,676,552)	-	-	-	-
Investment Class	-	-						
Consultant Class								
Net realized gain on investments	(1,839,807)	(13,608)	(11,884,623)	(4,986,404)	(2,139,524)	(95,688)	(5,264,466)	(933,562)
Investment Class	(381,924)	(2,159)						
Consultant Class								
Total distributions	(2,221,731)	(15,767)	(17,384,987)	(9,662,956)	(2,139,524)	(95,688)	(5,264,466)	(933,562)
<b>CAPITAL SHARE TRANSACTIONS:</b>								
Value of shares sold								
Investment Class	2,803,572	3,728,172	174,904,937	224,193,061	9,773,106	14,794,912	34,020,800	15,585,247
Consultant Class	1,382,324	1,021,791						
Distributions reinvested								
Investment Class	1,839,613	13,603	16,150,461	8,855,052	2,116,496	94,106	5,105,827	891,292
Consultant Class	379,837	2,136						
Value of shares redeemed								
Investment Class	(43,597)	(57,930)	(172,341,101)	(108,407,737)	(11,696,326)	(11,799,296)	(20,712,759)	(4,688,495)
Consultant Class	(39,171)	(5,398)						
Net increase in net assets from capital share transactions	6,322,578	4,702,374	18,714,297	124,640,376	193,276	3,089,722	18,413,868	11,788,044
<b>NET INCREASE IN NET ASSETS</b>	<b>9,248,781</b>	<b>5,973,029</b>	<b>3,458,610</b>	<b>124,542,895</b>	<b>3,356,681</b>	<b>3,077,189</b>	<b>26,120,982</b>	<b>12,034,185</b>
<b>NET ASSETS:</b>								
Beginning of period	9,694,192	3,721,163	244,989,357	120,446,462	21,173,607	18,096,418	34,277,685	22,243,500
End of period	\$18,942,973	\$9,694,192	\$ 248,447,967	\$ 244,989,357	\$ 24,530,288	\$ 21,173,607	\$ 60,398,667	\$34,277,685
<b>UNDISTRIBUTED NET INVESTMENT INCOME</b>								
<b>AT END OF PERIOD</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 341,112</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CAPITAL SHARE TRANSACTIONS (IN SHARES):</b>								
Shares sold								
Investment Class	316,220	503,437	23,846,182	29,334,388	1,284,856	2,009,166	5,125,146	2,584,105
Consultant Class	156,335	141,588						
Shares issued for reinvestment of distributions								
Investment Class	198,448	1,753	2,304,373	1,199,870	282,226	14,237	745,409	156,949
Consultant Class	41,741	278						
Shares redeemed								
Investment Class	(4,453)	(7,319)	(23,809,533)	(14,135,279)	(1,606,069)	(1,632,413)	(3,162,986)	(808,098)
Consultant Class	(4,840)	(692)						
Net increase (decrease) in shares outstanding								
Investment Class	510,215	497,871	2,341,022	16,398,979	(38,987)	390,990	2,707,569	1,932,956
Consultant Class	193,236	141,174						

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

	Royce Premier Fund	Royce Micro-Cap Fund	Pennsylvania Mutual Fund	Royce Select Fund	Royce Trust & GiftShares Fund	Royce Total Return Fund	Royce Low-Priced Stock Fund	Royce Opportunity Fund
<b>INVESTMENT INCOME:</b>								
Income:								
Dividends	\$ 6,176,326	\$ 822,173	\$ 7,466,379	\$ 33,823	\$ 83,210	\$ 6,695,418	\$ 156,342	\$ 527,033
Interest	1,167,030	143,867	873,108	-	29,004	2,299,926	42,031	61,559
Total Income	7,343,356	966,040	8,339,487	33,823	112,214	8,995,344	198,373	588,592
Expenses:								
Investment advisory fees	5,464,280	1,885,554	4,287,443	271,352	126,080	2,523,095	296,501	421,670
Distribution fees – Investment Class	-	-	-	-	26,442	-	49,417	-
Distribution fees – Consultant Class	-	11,242	1,284,073	-	20,312	-	-	-
Shareholder servicing – Investment Class	380,060	119,766	301,628	-	10,847	270,284	20,855	23,290
Shareholder servicing – Consultant Class	-	7,852	57,982	-	7,897	-	-	-
Shareholder reports – Investment Class	257,710	93,582	253,622	-	23,073	178,547	11,773	17,370
Shareholder reports – Consultant Class	-	2,116	81,726	-	5,897	-	-	-
Administrative and office facilities	254,147	68,895	267,369	-	4,728	110,930	9,125	16,472
Custodian	111,708	74,842	127,321	-	18,167	80,974	26,349	88,586
Trustees' fees	86,476	20,950	87,872	-	1,828	40,110	3,045	6,137
Audit	37,325	20,725	46,900	-	19,175	22,825	14,450	16,175
Registration – Investment Class	31,453	21,962	18,804	-	14,268	35,240	15,083	15,245
Registration – Consultant Class	-	4,917	10,500	-	9,925	-	-	-
Legal	30,336	8,007	34,846	-	921	13,450	1,086	2,018
Other expenses	66,412	20,556	69,564	-	6,219	25,575	3,450	9,719
Total Expenses	6,719,907	2,360,966	6,929,650	271,352	295,779	3,301,030	451,134	616,682
Fees Waived by Investment Adviser and Distributor	-	(464,060)	(321,018)	(38,745)	(74,169)	(147,162)	(156,609)	-
Expenses Reimbursed by Investment Adviser – Consultant Class	-	(12,680)	-	-	(13,438)	-	-	-
Net Expenses	6,719,907	1,884,226	6,608,632	232,607	208,172	3,153,868	294,525	616,682
Net Investment Income (Loss)	623,449	(918,186)	1,730,855	(198,784)	(95,958)	5,841,476	(96,152)	(28,090)
<b>REALIZED AND UNREALIZED</b>								
<b>GAIN (LOSS) ON INVESTMENTS:</b>								
Net realized gain on investments	35,201,455	13,613,347	74,551,017	626,805	3,337,654	9,427,902	3,043,498	8,130,158
Net change in unrealized appreciation (depreciation) on investments	23,616,241	(1,349,281)	(49,966,971)	1,494,250	1,906,238	(13,140,078)	2,355,583	4,869,512
Net realized and unrealized gain (loss) on investments	58,817,696	12,264,066	24,584,046	2,121,055	5,243,892	(3,712,176)	5,399,081	12,999,670
<b>NET INCREASE IN NET ASSETS FROM INVESTMENT OPERATIONS</b>	\$59,441,145	\$11,345,880	\$ 26,314,901	\$1,922,271	\$5,147,934	\$ 2,129,300	\$5,302,929	\$12,971,580

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## FINANCIAL HIGHLIGHTS

This table is presented to show selected data for a share outstanding throughout each period, and to assist shareholders in evaluating a Fund's performance for the periods presented.

	Net Asset Value, Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions from Net Investment Income	Distributions from Net Realized Gain on Investments	Net Asset Value, End of Period	Total Return	Net Assets, End of Period (in thousands)	Ratio of Expenses to Average Net Assets (d)	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
<b>ROYCE PREMIER FUND</b>												
1999	\$ 9.14	\$0.01	\$1.00	\$1.01	\$ (0.01)	\$ (0.58)	\$ 9.56	11.5%	\$567,834	1.23%	0.11%	48%
1998	8.70	0.05	0.53	0.58	(0.05)	(0.09)	9.14	6.7%	568,989	1.23%	0.55%	46%
1997	7.81	0.09	1.35	1.44	(0.09)	(0.46)	8.70	18.4%	533,141	1.24%	1.20%	18%
1996	7.12	0.10	1.18	1.28	(0.10)	(0.49)	7.81	18.1%	317,024	1.25%	1.25%	34%
1995	6.48	0.10	1.05	1.15	(0.09)	(0.42)	7.12	17.8%	302,239	1.25%	1.48%	39%
<b>ROYCE MICRO-CAP FUND – INVESTMENT CLASS</b>												
1999	\$ 8.55	\$ (0.08)	\$1.24	\$1.16	\$ –	\$ (0.21)	\$ 9.50	13.7%	\$111,806	1.49%	(0.72)%	24%
1998	9.40	(0.05)	(0.29)	(0.34)	(0.01)	(0.50)	8.55	(3.3)%	165,420	1.49%	(0.57)%	56%
1997	8.14	–	2.01	2.01	–	(0.75)	9.40	24.7%	199,637	1.49%	0.04%	38%
1996	7.53	(0.01)	1.17	1.16	–	(0.55)	8.14	15.5%	141,329	1.79%	(0.20)%	70%
1995	6.48	–	1.24	1.24	–	(0.19)	7.53	19.1%	97,729	1.94%	0.10%	25%
<b>ROYCE MICRO-CAP FUND – CONSULTANT CLASS (a)</b>												
1999	\$ 8.50	\$ (0.16)	\$1.23	\$1.07	\$ –	\$ (0.12)	\$ 9.45	12.7%	\$ 1,163	2.49%	(1.71)%	24%
1998	10.58	(0.07)	(1.50)	(1.57)	(0.01)	(0.50)	8.50	(14.6)%	751	2.49%*	(1.62)%*	56%
<b>PENNSYLVANIA MUTUAL FUND – INVESTMENT CLASS</b>												
1999	\$ 7.35	\$0.04	\$0.38	\$0.42	\$ (0.04)	\$ (0.45)	\$ 7.28	6.0%	\$371,055	1.04%	0.49%	21%
1998	7.82	0.05	0.24	0.29	(0.05)	(0.71)	7.35	4.2%	466,857	1.01%	0.62%	29%
1997	7.11	0.07	1.70	1.77	(0.06)	(1.00)	7.82	25.0%	507,635	1.05%	0.88%	18%
1996	7.71	0.11	0.84	0.95	(0.11)	(1.44)	7.11	12.8%	456,868	0.99%	1.05%	29%
1995	7.41	0.11	1.27	1.38	(0.11)	(0.97)	7.71	18.7%	630,119	0.98%	1.18%	10%
<b>PENNSYLVANIA MUTUAL FUND – CONSULTANT CLASS (b)</b>												
1999	\$ 7.34	\$ (0.02)	\$0.39	\$0.37	\$ –	\$ (0.43)	\$ 7.28	5.3%	\$129,261	1.77%	(0.24)%	21%
1998	7.81	(0.01)	0.24	0.23	–	(0.70)	7.34	3.4%	140,042	1.74%	(0.11)%	29%
1997	7.90	0.02	0.93	0.95	(0.04)	(1.00)	7.81	12.0%	151,948	1.65%*	0.29%*	18%
<b>ROYCE SELECT FUND (c)</b>												
1999	\$107.79	\$ (2.84)	\$40.71	\$37.87	\$ –	\$ (4.62)	\$141.04	35.4%	\$ 9,858	4.61%	(3.94)%	136%
1998	100.00	0.06	7.79	7.85	(0.06)	–	107.79	7.9%	1,090	0.00%	0.50%*	27%

(a) The Class commenced operations on May 4, 1998.

(b) The Class commenced operations on June 18, 1997.

(c) The Fund commenced operations on November 18, 1998.

(d) Expense ratios are shown net of fee waivers and expense reimbursements by the adviser and/or the distributor, as applicable. Expense ratios for each period before the waivers and reimbursements would have been: 1.28% in 1996 for Royce Premier Fund; 1.86%, 1.81%, 1.80%, 1.87% and 1.97% in 1999 to 1995, respectively, for Royce Micro-Cap Fund-Investment Class; 3.99% and 4.52% in 1999 and 1998, respectively, for Royce Micro-Cap Fund-Consultant Class; 1.03% and 0.99% in 1996 and 1995, respectively, for Pennsylvania Mutual Fund-Investment Class; 2.02%, 1.99% and 2.00% in 1999 to 1997, respectively, for Pennsylvania Mutual Fund-Consultant Class; and 5.38% and 1.03% in 1999 and 1998, respectively, for Royce Select Fund.

\* Annualized.

## FINANCIAL HIGHLIGHTS

This table is presented to show selected data for a share outstanding throughout each period, and to assist shareholders in evaluating a Fund's performance for the periods presented.

	Net Asset Beginning of Period	Net Investment Income (Loss)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions from Net Investment Income	Distributions from Net Realized Gain on Investments	Total Distributions	Net Asset Value, End of Period	Total Return	Net Assets, End of Period (in thousands)	Ratio of Expenses to Average Net Assets (d)	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
<b>ROYCE TRUST &amp; GIFTSHARES FUND - INVESTMENT CLASS (a)</b>													
1999	\$8.24	\$(0.04)	\$3.35	\$3.31	\$ -	\$(1.45)	\$(1.45)	\$10.10	41.8%	\$ 15,474	1.49%	(0.60)%	152%
1998	6.91	(0.02)	1.37	1.35	-	(0.02)	(0.02)	8.24	19.5%	8,418	1.49%	(0.35)%	153%
1997	5.83	(0.01)	1.52	1.51	-	(0.43)	(0.43)	6.91	26.0%	3,614	1.49%	(0.32)%	64%
1996	5.01	-	1.27	1.27	-	(0.45)	(0.45)	5.83	25.6%	1,064	1.49%	(0.05)%	93%
1995	5.00	-	0.01	0.01	-	-	-	5.01	0.2%	502	0.70%*	0.00%*	0%
<b>ROYCE TRUST &amp; GIFTSHARES FUND- CONSULTANT CLASS (b)</b>													
1999	\$8.14	\$(0.09)	\$3.25	\$3.16	\$ -	\$(1.39)	\$(1.39)	\$ 9.91	40.3%	\$ 3,469	2.49%	(1.60)%	152%
1998	6.88	(0.06)	1.34	1.28	-	(0.02)	(0.02)	8.14	18.5%	1,276	2.49%	(1.39)%	153%
1997	7.21	(0.01)	0.11	0.10	-	(0.43)	(0.43)	6.88	1.5%	107	2.49%*	(1.35)%*	64%
<b>ROYCE TOTAL RETURN FUND</b>													
1999	\$7.56	\$ 0.17	\$(0.07)	\$0.10	\$(0.16)	\$(0.35)	\$(0.51)	\$ 7.15	1.6%	\$248,448	1.25%	2.32%	39%
1998	7.52	0.15	0.20	0.35	(0.15)	(0.16)	(0.31)	7.56	4.8%	244,989	1.25%	2.75%	66%
1997	6.29	0.11	1.38	1.49	(0.11)	(0.15)	(0.26)	7.52	23.7%	120,446	1.25%	3.15%	26%
1996	5.76	0.14	1.28	1.42	(0.16)	(0.73)	(0.89)	6.29	25.5%	6,234	1.25%	2.50%	111%
1995	5.12	0.13	1.24	1.37	(0.13)	(0.60)	(0.73)	5.76	26.9%	2,548	1.67%	2.42%	68%
<b>ROYCE LOW-PRICED STOCK FUND</b>													
1999	\$6.95	\$(0.03)	\$2.03	\$2.00	\$ -	\$(0.79)	\$(0.79)	\$ 8.16	29.8%	\$ 24,530	1.49%	(0.49)%	103%
1998	6.82	(0.01)	0.17	0.16	-	(0.03)	(0.03)	6.95	2.4%	21,174	1.49%	(0.11)%	111%
1997	6.30	(0.03)	1.26	1.23	-	(0.71)	(0.71)	6.82	19.5%	18,096	1.49%	(0.47)%	99%
1996	5.62	(0.03)	1.31	1.28	-	(0.60)	(0.60)	6.30	22.8%	15,905	1.88%	(0.67)%	137%
1995	5.07	(0.04)	1.18	1.14	-	(0.59)	(0.59)	5.62	22.5%	4,215	1.97%	(1.11)%	114%
<b>ROYCE OPPORTUNITY FUND (c)</b>													
1999	\$6.02	\$ -	\$1.91	\$1.91	\$ -	\$(0.74)	\$(0.74)	\$ 7.19	32.3%	\$ 60,399	1.46%	(0.07)%	122%
1998	5.92	(0.01)	0.29	0.28	-	(0.18)	(0.18)	6.02	4.9%	34,278	1.25%	(0.16)%	120%
1997	5.26	0.07	1.03	1.10	(0.08)	(0.36)	(0.44)	5.92	20.8%	22,244	0.99%	1.23%	77%
1996	5.00	-	0.26	0.26	-	-	-	5.26	5.2%	17,857	0.97%*	0.83%*	1%

(a) The Fund commenced operations on December 27, 1995.

(b) The Class commenced operations on September 26, 1997.

(c) The Fund commenced operations on November 19, 1996.

(d) Expense ratios are shown net of fee waivers and expense reimbursements by the adviser and/or the distributor, as applicable. Expense ratios for each period before the waivers and reimbursements would have been: 2.12%, 2.45%, 3.82%, 6.53% and 1.95% in 1999 to 1995, respectively, for Royce Trust & GiftShares Fund-Investment Class; 3.53%, 4.70% and 30.28% in 1999 to 1997, respectively, for Royce Trust & GiftShares Fund-Consultant Class; 1.31%, 1.35%, 1.67%, 2.23% and 2.38% in 1999 to 1995, respectively, for Royce Total Return Fund; 2.28%, 2.31%, 2.38%, 2.59% and 3.47% in 1999 to 1995, respectively, for Royce Low-Priced Stock Fund; and 1.54%, 1.56% and 1.97% in 1998 to 1996, respectively, for Royce Opportunity Fund.

\* Annualized.

## NOTES TO FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Royce Premier Fund, Royce Micro-Cap Fund, Pennsylvania Mutual Fund, Royce Select Fund, Royce Trust & GiftShares Fund, Royce Total Return Fund, Royce Low-Priced Stock Fund and Royce Opportunity Fund (the "Fund" or "Funds"), are eight series of The Royce Fund (the "Trust"), a diversified open-end management investment company organized as a Delaware business trust. Effective April 30, 1999, Royce GiftShares Fund changed its name to Royce Trust & GiftShares Fund and PMF II changed its name to Royce Opportunity Fund.

Three funds in the series, Pennsylvania Mutual Fund, Royce Micro-Cap Fund and Royce Trust & GiftShares Fund, offer two classes of shares; an Investment Class and a Consultant Class. Classes of shares have equal rights as to earnings and assets, except that each class may bear different fees and expenses for distribution, shareholder servicing, registration and shareholder reports, and different expense reimbursements. Investment income, realized and unrealized capital gains or losses on investments, and expenses other than those attributable to a specific class are allocated to each class of shares based on its relative net assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### Valuation of investments:

Securities listed on an exchange or on the Nasdaq National Market System are valued on the basis of the last reported sale prior to the time the valuation is made or, if no sale is reported for such day, at their bid price for exchange-listed securities and at the average of their bid and asked prices for Nasdaq securities. Quotations are taken from the market where the security is primarily traded. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Board of Trustees. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

### Investment transactions and related investment income:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date and any non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

### Expenses:

The Funds incur direct and indirect expenses. Expenses directly attributable to a Fund are charged to the Fund's operations, while expenses applicable to more than one series of the Trust are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Trustees to defer the receipt of all or a portion of Trustees Fees payable on or after July 1, 1999. The deferred fees remain invested in certain Royce funds until distribution in accordance with the agreement.

### Taxes:

As qualified regulated investment companies under Subchapter M of the Internal Revenue Code, the Funds are not subject to income taxes to the extent that each Fund distributes substantially all of its taxable income for its fiscal year.

### Distributions:

Royce Total Return Fund pays dividends from its net investment income on a quarterly basis and makes any distributions from net realized capital gains annually in December. The other Funds pay any dividends and capital gain distributions annually in December. These distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year. The Funds have designated the following amounts as a capital gain dividend for the purpose of the dividend paid deduction for 1999 (000's):

Royce Premier Fund	\$17,305
Royce Micro-Cap Fund	2,409
Pennsylvania Mutual Fund	25,409
Royce Select Fund	-
Royce Trust & GiftShares Fund	93
Royce Total Return Fund	5,603
Royce Low-Priced Stock Fund	948
Royce Opportunity Fund	1,138

### Repurchase agreements:

The Funds enter into repurchase agreements with respect to portfolio securities solely with State Street Bank and Trust Company ("SSB&T"), the custodian of the Funds' assets. Each Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of each Fund to dispose of its underlying securities.

### Security lending:

Pennsylvania Mutual Fund loans securities to qualified institutional investors for the purpose of realizing additional income. This income is included in interest income. Collateral on all securities loaned for Pennsylvania Mutual Fund is accepted in cash and is invested temporarily, typically in money market mutual funds, by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

### INVESTMENT ADVISER AND DISTRIBUTOR:

#### Investment Adviser:

Under the Trust's investment advisory agreements with Royce & Associates, Inc. ("Royce"), Royce is entitled to receive management fees that are computed daily and, except for Royce Select Fund in 1999, payable monthly. Royce contractually committed to waive its fees and reimburse expenses to the extent necessary to maintain certain Funds' net annual operating expense ratios at specified levels through December 31, 1999.

## NOTES TO FINANCIAL STATEMENTS (continued)

	Annual contractual advisory fee as a percentage of average net assets	Committed net annual expense ratio		Year ended December 31, 1999	
		Investment Class	Consultant Class	Net advisory fees accrued	Advisory fees waived
Royce Premier Fund	1.00%	N/A	N/A	\$5,464,280	\$ –
Royce Micro-Cap Fund	1.50%	1.49%	2.49%	1,421,494	464,060
Pennsylvania Mutual Fund	0.78%*	N/A	N/A	4,287,443	–
Royce Select Fund	see below				
Royce Trust & GiftShares Fund	1.00%	1.49%	2.49%	78,353	47,727
Royce Total Return Fund	1.00%	1.25%	N/A	2,375,933	147,162
Royce Low-Priced Stock Fund	1.50%	1.49%	N/A	189,309	107,192
Royce Opportunity Fund	1.00%	1.49%	N/A	421,670	–

\* Pennsylvania Mutual Fund's fees are calculated at the annual rate of 1.0% of the first \$50 million of the Fund's average net assets, 0.875% of the next \$50 million of average net assets and 0.75% of average net assets in excess of \$100 million.

Royce is entitled to receive from Royce Select Fund a performance fee of 12.5% of the Fund's pre-fee total return. The agreement provides that all expenses of the Fund, except brokerage commissions, taxes, interest and extraordinary expenses, will be paid by Royce. This fee is calculated and accrued daily, based on the Fund's then current net assets. The fee for the period from commencement date (November 18, 1998) through December 31, 1999 was payable on December 31, 1999. Royce voluntarily committed to waive performance fees until the Fund achieved a 15% total return since inception of the Fund. This condition was met on April 27, 1999. For the year ended December 31, 1999, the Fund accrued \$232,607 of performance fees (net of voluntary waivers of \$38,745). Beginning January 1, 2000, the performance fee will be payable on a monthly basis and subject to high watermark accounting.

### Distributor:

Royce Fund Services, Inc. ("RFS"), the distributor of the Trust's shares, is a wholly owned subsidiary of Royce. For the year ended December 31, 1999, RFS received 12b-1 distribution fees of \$963,055 (net of voluntary waivers of \$321,018), \$11,242 and \$20,312 from the Consultant Classes of Pennsylvania Mutual, Royce Micro-Cap and Royce Trust & GiftShares Funds, respectively. RFS voluntarily waived the distribution fees of

\$26,442 and \$49,417 from the Investment Class of Royce Trust & GiftShares Fund and Royce Low-Priced Stock Fund. The distribution agreement provides for maximum fees at the annual rate of 1.0% of each Fund's Consultant Class average net assets and 0.25% of the average net assets of the Investment Class of Royce Trust & GiftShares Fund and Royce Low-Priced Stock Fund.

### PURCHASES AND SALES OF INVESTMENT SECURITIES:

For the year ended December 31, 1999, the cost of purchases and the proceeds from sales of investment securities, other than short-term securities, were as follows:

	Purchases	Sales
Royce Premier Fund	\$247,533,567	\$307,757,461
Royce Micro-Cap Fund	29,387,549	99,078,582
Pennsylvania Mutual Fund	112,693,975	242,984,332
Royce Select Fund	12,957,950	6,174,480
Royce Trust & GiftShares Fund	19,410,753	17,533,790
Royce Total Return Fund	120,458,259	90,890,426
Royce Low-Priced Stock Fund	19,203,434	22,239,776
Royce Opportunity Fund	61,603,782	49,762,550

### TAX BASIS OF INVESTMENTS:

At December 31, 1999, tax basis net unrealized appreciation (depreciation) was equal to the difference between aggregate gross unrealized appreciation for all securities in which there was an excess of market value over tax cost, and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over market value, as follows:

	Tax Basis Cost	Net Unrealized Appreciation (Depreciation)	Gross Unrealized	
			Appreciation	Depreciation
Royce Premier Fund	\$431,318,550	\$118,825,125	\$148,030,711	\$29,205,586
Royce Micro-Cap Fund	93,903,269	16,707,564	28,126,437	11,418,873
Pennsylvania Mutual Fund	348,475,688	152,608,624	187,334,323	34,725,699
Royce Select Fund	8,146,358	1,545,920	1,699,307	153,387
Royce Trust & GiftShares Fund	15,518,699	2,915,433	3,311,188	395,755
Royce Total Return Fund	259,075,623	(12,571,986)	23,226,441	35,798,427
Royce Low-Priced Stock Fund	21,267,351	2,859,777	4,412,045	1,552,268
Royce Opportunity Fund	53,518,062	6,227,482	10,872,372	4,644,890

### TRANSACTIONS IN AFFILIATED COMPANIES:

An "Affiliated Company," as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the company's outstanding voting securities. The following transactions were effected in shares of such companies for the year ended December 31, 1999.

	Affiliated Company	Purchases		Sales		Realized Gain (Loss)	Dividend Income
		Shares	Cost	Shares	Cost		
Royce Total Return Fund	Mueller(Paul)	–	–	–	–	–	\$142,800

## REPORT OF INDEPENDENT ACCOUNTANTS

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To the Board of Trustees of The Royce Fund and the Shareholders  
of Royce Premier Fund, Royce Micro-Cap Fund, Pennsylvania  
Mutual Fund, Royce Select Fund, Royce Trust & GiftShares Fund,  
Royce Total Return Fund, Royce Low-Priced Stock Fund, and  
Royce Opportunity Fund

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Royce Premier Fund, Royce Micro-Cap Fund, Pennsylvania Mutual Fund, Royce Select Fund, Royce Trust & GiftShares Fund, Royce Total Return Fund, Royce Low-Priced Stock Fund and Royce Opportunity Fund (each a portfolio of The Royce Fund, hereafter referred to as the “Funds”) at December 31, 1999, the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 1999 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 10, 2000

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## **OFFICERS**

Charles M. Royce, President and Treasurer  
Jack E. Fockler, Jr., Vice President  
W. Whitney George, Vice President  
Daniel A. O'Byrne, Vice President and Assistant Secretary  
John E. Denneen, Secretary

## **TRUSTEES**

Donald R. Dwight  
Dwight Partners, Inc., President  
  
Richard M. Galkin  
Richard M. Galkin Associates, Inc., President  
  
Stephen L. Isaacs  
The Center for Health and Social Policy,  
President; Attorney  
  
William L. Koke  
Shoreline Financial Consultants  
Registered Investment Adviser  
  
David L. Meister  
SeniorLife.com, President  
  
Charles M. Royce  
Royce & Associates, Inc., President

## **INDEPENDENT ACCOUNTANTS**

PriceWaterhouseCoopers LLP

## **CUSTODIAN AND TRANSFER AGENT**

State Street Bank and Trust Company

### THIS JUST IN ...

The advent of cable television, the proliferation of magazines and newsletters, and the increasing influence of the Internet have brought financial information closer to people than ever before. The effort to create a better educated investor is a great idea — one that we wholeheartedly support. We also think that, for the most part, the various media do a fine job of keeping the public informed about important financial events. At the cable networks, however, something seems to have gotten lost along the way. In their zeal to cover every price movement as an earth-shattering news event, they often get too caught up in short-term minutiae. Movement of an eighth of a point on a \$100 stock is treated as something that can only be properly understood by market experts who seem to never agree on anything. Have they forgotten that information and opinion are not synonymous with knowledge? Exposure to this endless stream of instant analysis throughout the day does not automatically result in a smarter investor. What follows is a cheerfully exaggerated version of the kind of constant commentary that often appears on financial networks:

**9:30 a.m.**

**TERESA:** Good Morning, I'm Teresa Bourse for Financial Update News Network. The Street is buzzing today with rumors that a major announcement is due regarding humongotech.com, the Internet services and technology company. Will it be another stock split? A merger, perhaps? Here's FUNN market expert Phil Fulminate with the latest. Phil?

**PHIL:** Terry, FUNN viewers may recall that I recommended this stock two years ago, at the time of its Initial Public Offering. This is a high-quality company with a major Internet presence whose stock has nowhere to go but up.

**9:51 a.m.**

**TERESA:** After-hours trading and endless gossip have resulted in a surprising opening for humongotech.com — the stock opened at \$120 per share, down 6 points. Let's go now to Steve deBear for additional insight into what has to be a shocking opening for many investors.

**STEVE:** Shocking for some, Teresa, but not to me. This stock is a dog that's been barking for some time. Call me old-fashioned, but no earnings means "Beware of the Dog."

**10:29 a.m.**

**TERESA:** This just in, humongotech.com has just jumped a point, to \$121.

**PHIL:** In today's lightning-paced New Economy, you simply cannot keep a strong company like this down for long. The market is showing us that right now.

**11:45 a.m.**

**TERESA:** We're getting word now that the stock is up again, a full five points, to \$126.

**PHIL:** That's not surprising — the sky's the only limit for humongotech.com.

**1:17 p.m.**

**TERESA:** Humongotech.com is on its way to a dazzling day, currently at \$154. Any comments, Steve?

**STEVE:** A sure sign that the bubble is about to burst. No bull can run forever. I may have been wrong about this in 1996. Okay, and in 1997, too. In 1998, my bear market prediction was more premature than inaccurate, but this time it's really true.

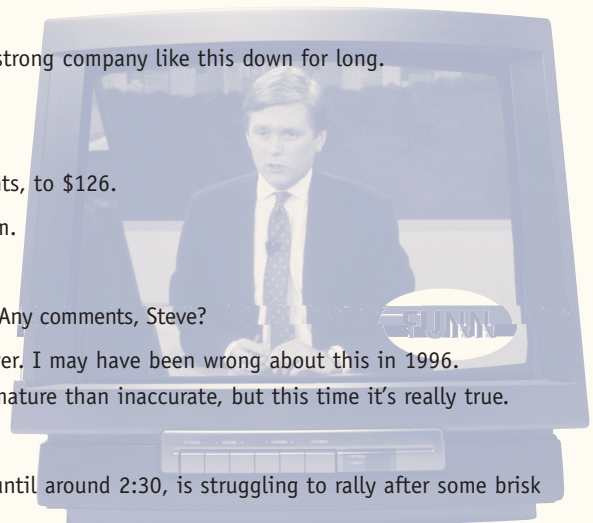
**3:17 p.m.**

**TERESA:** Humongotech.com, a market favorite well into afternoon trading until around 2:30, is struggling to rally after some brisk selling dragged it down to its current price of \$128.

**PHIL:** I think that this is actually a good sign, a sign that timid investors are getting out and the stock's true believers are hanging around and hanging tough. This is a terrific stock, and I think it's poised for a big run-up in the next few days.

**4:02 p.m.**

**TERESA:** What a day for humongotech.com. A disappointing opening, followed by some furious buying, then a late flurry of even more furious selling on the heels of less-than-optimistic comments by analysts at Great Bull Brokerage. When the smoke cleared, the stock closed unchanged at \$126 per share. Please stay tuned for our post-market analysis, folks.



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